America votes

There are still no safe bets

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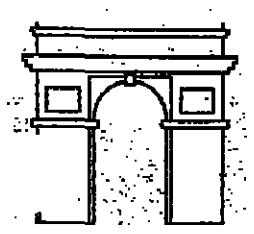

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A time for anger in Britain

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'We in Russia have no mama'

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Oh no, not more forecasts

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Troubled image-makers

How photocopiers have ruined some businesses

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FT NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper | MONDAY NOVEMBER 2 1992 | D8523A

EC sticks to trade policy as Gatt talks begin

Farm trade reform talks between the US and the European Community were set to start in Chicago last night, with the EC reiterating that any deal must safeguard reforms to the Common Agricultural Policy agreed in May. The meeting is seen on both sides as the last chance to avert a trade war, and to salvage hopes for wide-ranging trade liberalisation under the Uruguay Round. Page 6

Texas bank closes: First City Bancorporation of Houston, one of the largest banks in Texas, has been closed down by US regulatory authorities because two of its main subsidiaries are insolvent. Regulators have put up $500m to protect depositors, one of the costliest bailouts ever. Page 17

US criticised over satellite launches:

The chairman of Arianespace, launcher of commercial satellites, has accused the US government of putting pressure on satellite operators to place launch contracts with Russia and China. Charles Bigot (left) said Washington had "political reasons" for pressing Intelsat, the world's biggest independent operator of telecoms satellites, to consider such launches. Page 16

Lufthansa, the German state airline, pulled out of the race to buy Continental Airlines, the US carrier operating under Chapter 11, a blow to its ambitions to forge international links. Page 17

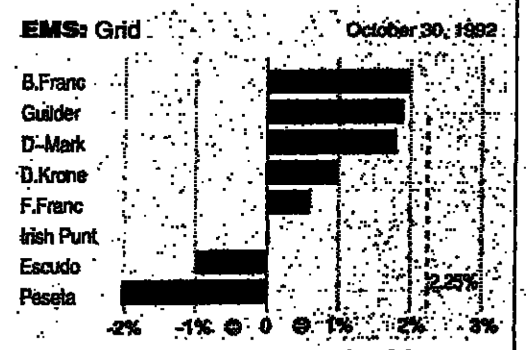
Moscow sends troops to Caucasus: Russia has flown 3,000 troops to halt ethnic fighting in the Caucasus mountains, its second deployment in a week to support a government in its former empire. Page 3

City faces outside regulation: The City of London's principle of self-regulation could be eroded after a review of the power and methods of the Securities and Investments Board, the financial regulator. Page 18; SIB review, Page8

Stockholm tackles bank crisis: Sweden is to set up a special authority to tackle the country's banking crisis, part of a package of measures to shore up the battered financial system and strengthen foreign confidence. Page 19

Panic faces no-confidence vote: Milan Panic, the Yugoslav prime minister, may lose a no-confidence vote in the federal parliament today, after a campaign to discredit him organised by Slobodan Milosevic, the Serbian president. Page 3

European Monetary System: Tensions inside the European exchange rate mechanism grid continue to ease as the markets take the view that the Bundesbank will cut its official interest rates soon. The French franc remains near the centre of the grid, its exchange rate against the D-Mark mostly unchanged, despite a cut in one of the Bank of France's key lending rates last week. However, dealers believe that a devaluation of the peseta, escudo and Irish punt will be necessary at some stage because of the D-Mark's residual strength. Currencies, Page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Finmeccanica, Italy's state-owned engineering and aerospace group, has made the first public offer to buy assets from Efim, the state holding company put into voluntary liquidation in July. Page 19

Photocopier suppliers: Three UK companies offering controversial "copy plan" schemes to users of photocopier machines could have their credit licences revoked by the Office of Fair Trading. Costly image, Page 15

Mexico to extend reforms: President Carlos Salinas signalled further electoral reform and underlined his government's commitment to fiscal austerity in his annual state-the-union address. Page 3

Brazilian corruption: The corruption scheme allegedly involving Brazil's suspended president Fernando Collor had a yearly turnover of more than $200m, according to computer records. Page 3

Calls for Craxi to quit: Growing differences in Italy's Socialist party, tainted by revelations of corruption, emerged over the weekend with calls for its leader, Bettino Craxi, to step down. Page 4

Bush fightback looks to have lost momentum on eve of election

Clinton leads in latest polls

By Jurek Martin in Washington

THE MOST relentlessly negative presidential election campaign in recent US history moved into its final hours yesterday with Governor Bill Clinton of Arkansas still favoured to defeat Republican President George Bush.

Yesterday's polling evidence suggested that Mr Clinton may have weathered the fierce Bush counterattack and be back on track to victory. The largest survey, the New York Times-CBS poll of more than 1,900 registered voters, taken from Tuesday to Friday of last week, gave Mr Clinton 43 per cent, Mr Bush 34 per cent and Mr Ross Perot, the Texas independent, 15 per cent.

All three candidates campaigned exhaustively over the weekend in states deemed critical tomorrow. Yesterday, Mr Clinton was in Ohio, Pennsylvania and New Jersey, while Mr Bush visited Michigan, New Jersey and Connecticut. Mr Perot was flying off to two rallies in California, having hit Florida and Missouri on Saturday.

Mr Clinton, his voice virtually gone, worked crowds in Cincinnati, croaking out his message of "change" and attacking the president for distorting his record. Mr Bush denied on TV that there was anything new in the latest Iran-Contra revelations and accused both Mr Clinton and the media of gross unfairness. Mr Perot said his rivals "have no idea what they're talking about", and that Mr Bush "doesn't deserve to win".

The New York Times-CBS poll said Mr Clinton's edge was statistically almost identical to its final poll in 1988, which presaged Mr Bush's easy victory over Mr Michael Dukakis. Its previous survey, published a week ago, gave Mr Clinton only a five-point lead. The poll takers reported some tightening of the race among those questioned on Thursday and Friday, but on those days it still found Mr Clinton up by eight points among the probable electorate and seven among registered voters.

The volatile CNN-USA Today poll of 1,600 "likely" voters, which is conducted by Gallup and which releases its findings

The race for the White House ....Page 2
Last clash in a war of weirdness ....Page 14
Lex ....Page 16

daily, yesterday gave Mr Clinton 43 per cent, Mr Bush 36 and Mr Perot 15. From Wednesday to Saturday last week, it had Mr Clinton's lead down to between one and three points, greatly boosting Mr Bush's hopes. An ABC survey released on Saturday gave Mr Clinton a three-point margin.

The election is determined not by popular vote but in the electoral college, the 538 votes of which are awarded, with two minor exceptions, on a winner-take-all basis, state-by-state. A Washington Post survey of all the states plus the District of Columbia demonstrated yesterday how much of an uphill task Mr Bush still faces.

It put Mr Clinton "clearly ahead" in 16 states, plus DC, worth 227 electoral votes and with "a slight edge or better" in another 15 states, with 112 votes. This would give Mr Clinton more than the 270 needed for victory. Mr Bush had a "marked advantage" in nine states with 88 votes, and was "even or slightly ahead" in 10 others with 131 votes.

The Bush campaign was encouraged by the latest poll putting him only three points behind in Wisconsin, a strong Democratic state which Mr Bush toured by train on Saturday, and virtually level in Ohio. But new surveys in Michigan and New Jersey, "must win" states for the President, still had him 8-12 points adrift of Mr Clinton and his lead was down to only three points in Florida, which had looked more secure.

The main element of unpredictability centres on the Perot vote, still at a high level for an independent candidate so late in the game. Though his poll scores are going down and his unfavourable ratings rising, his local impact may yet be large. In as many as 25 states, the Post found, last-minute decisions by his supporters could be critical.

Hanging on: President Bush leans from a train to greet supporters during a campaign stop in Wisconsin. He denied later on television that there was anything new in the latest Iran-Contra revelations

Major faces crucial test of leadership

By Ivo Dawnay, Political Correspondent, in London

MR JOHN MAJOR, the UK prime minister, was braced for two days of frantic campaigning yesterday after forecasts from Euro-sceptics and independent bodies both found some 35 rebels still pledged to oppose him or abstain in Wednesday's Maastricht debate in parliament.

The proximity of the findings underlined the uncertainty of the outcome in what is increasingly being seen as a crucial test of the prime minister's credibility and his ability to command the respect of his party.

Several MPs from the ruling Conservative party have publicly expressed broad agreement with Labour, the main opposition party, that Mr Major's authority would be critically damaged if he lost the debate, even if a subsequent confidence vote was won by the government.

After a weekend of frenetic behind-the-scenes activity by government business managers, the crisis atmosphere was fuelled by similar dire warnings from cabinet ministers and a ferocious row over tactics between Labour and the smaller opposition group of Liberal Democrats.

Early yesterday, Sir Norman Fowler, the Conservative party chairman, insisted in a television interview, that Tory MPs would be "playing with fire" if they put the government at risk. His message was repeated by Mr David Hunt, the Welsh secretary, who said: "If they think the government can just be defeated on Wednesday and everything will just settle down the following day – it won't."

Meanwhile, Labour was systematically raising the pressure on the Liberal Democrats by warning that their support for the government would rebound on them when public expenditure cuts are announced next week.

In a statement Mrs Margaret Beckett, Labour's deputy leader, warned that voters would not forgive the Liberal Democrats if they "propped up" the prime minister. "If he wins next week's vote, John Major will have a mandate to go ahead with the public spending cuts which he denied would be made," she said.

The charge drew a furious retort from Mr Paddy Ashdown, the Liberal Democrat leader who described Labour's decision to oppose the Maastricht motion as "a tawdry deceit".

Claiming the Liberal Democrats were putting the interests of the nation first, he argued that if the government was defeated it would immediately win in a confidence motion. "So we would be left with the worst of all possible worlds – no general election and no future for Britain in Europe either," he said.

The theme of Britain working in close collaboration with Europe was the main message of

Continued on Page 16
Business backs pact, Page 8

Angola slides back into civil war as troops clash in capital

By Julian Ozanne in Nairobi

ANGOLA appeared to be slipping inexorably into renewed civil war yesterday as heavy fighting continued across the country between government forces and troops of the rebel Unita movement.

Fears are rising that the latest round of pitched battles, the most bloody since Unita disputed the results of September's elections, will scotch remaining attempts to broker a negotiated settlement.

The fighting threatens UN-led efforts to bring Angola through a 17-month transition to peace and democracy after a ceasefire was signed in May 1991, ending a civil war that began at independence in 1975.

According to the Portuguese news agency Lusa at least 300 people, including two United Nations peacekeeping staff, have been killed in clashes in the capital Luanda since Thursday night, and corpses and abandoned weapons littered the city's deserted streets yesterday.

Although the fighting subsided yesterday, mortars and grenades continued to fall on parts of the city, particularly in the Unita stronghold of Miramar, a suburb of Luanda. Bursts of heavy machine-gun fire erupted in the downtown area.

Russian Mi-8 helicopter gunships circled the city and the government put into force an all-day curfew and threw up road blocks around the city. Foreign residents bunkered down in hotels and private residences.

Omens are bad for Angola's future ....Page 6

Fighting was also raging yesterday for control of the key cities of Benguela, Lobito, Huambo and Cuito in the Unita tribal strongholds of the central provinces. Unita also seized several diamond-producing areas in the north and south of the country.

South African President Mr F.W. de Klerk, whose country sent support and troops to aid Unita throughout most of the civil war, added his voice yesterday to international appeals calling for a ceasefire in the fighting and fresh peace talks between President Jose Eduardo dos Santos and Mr Jonas Savimbi, the leader of Unita.

Mr Savimbi, however, appeared increasingly isolated and immune from international pressure, most recently expressed by a United Nations Security Council Resolution passed late Friday night which demanded an immediate end to the violence and threatened action against any party endangering peace.

Luanda airport was closed yesterday and commercial flights into the capital have been cancelled. Britain, the US, Portugal, South Africa and Brazil were attempting to evacuate their nationals as international efforts to pull the vast country away from further conflict appeared increasingly futile.

Several hundred people were evacuated by air and sea over the weekend but evacuation plans are being constrained by lack of movement in the city and continued fighting near the airport.

Portugal is trying to evacuate 40,000 nationals by air and sea.

BA, USAir may move to Airbus if alliance blocked

By Paul Betts, Aerospace Correspondent, in Montreal

BRITISH Airways and USAir, two of the US Boeing company's biggest aircraft customers, may consider switching to the European Airbus consortium if their $750m (£460m) alliance is blocked by the US government.

The threat was raised this weekend by Mr Seth Schofield, USAir chief executive, in a letter to governor Bill Clinton, the Democratic presidential candidate, who warned last week he would oppose BA's acquisition of a 44 per cent stake in USAir if elected.

Mr Schofield told Mr Clinton that the deal would not only ensure security for 47,000 USAir jobs and increase domestic airline competition, but also had important implications for the US aircraft manufacturing industry.

"The alliance will provide a solid future for Boeing," he wrote, adding that USAir operates 268 Boeing aircraft and has firm orders and options for 183 additional Boeings to be delivered over the next eight years.

"The financial infusion from the BA investment assures that those aircraft will be delivered," he told Mr Clinton, implying that the orders would be threatened if the deal collapsed.

BA is also a big Boeing operator, with 174 Boeing aircraft in its fleet and firm orders in place for 81 additional Boeings and options for 70 more.

Neither USAir nor BA had ordered European Airbus aircraft so far, Mr Schofield added. Apart from 10 Airbus A320s it inherited from the British Caledonian merger five years ago, BA since privatisation has opted for Boeing aircraft and is the only large European airline not to have bought any Airbus jets.

This has led to a fierce controversy with Airbus whose chairman, Mr Jean Pierson, has repeatedly accused BA of being anti-European. Last year he asked the European Commission to investigate BA's aircraft

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Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

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NEWS: RACE FOR THE WHITE HOUSE

California water allocation bill signed

By Louise Kehoe in San Francisco

PRESIDENT George Bush has signed controversial legislation reallocating scarce California water supplies from agriculture to the state's cities and drought-threatened wildlife, despite the opposition of the state's farmers and a last-minute appeal for a presidential veto from California's Republican Governor Pete Wilson.

The water bill also includes funding for several popular large scale dam and water projects throughout the west, forcing the president to choose between the interests of his California supporters and those in other states who were urging passage of the bill.

It addresses a bitter century-long battle between agricultural and urban interests over water rights in California. Farmers now use about 85 per cent of the state's water, while city residents and other industries face severe rationing after six years of drought.

The bill signed on Friday will reform allocation of water supplies from the Central Valley Project (CVP), a massive system of 20 dams and miles of canals, built by the federal government in the late 1930s, that transports water from northern California to the Central Valley, where it is used to irrigate about 3m acres of farmland.

The changes "will cripple farmers in the nation's most productive agricultural region, without solving California's basic water problem," said Mr Bob Vice, president of the California Farm Bureau Federation. Growers will be forced to leave land fallow and lay off workers, he predicted.

Environmentalists were, however, pleased by the president's decision.

"This is a big day in California's water history," said Mr Tom Graff of the Environmental Defence Fund, one of the groups that has fought hard for the legislation.

The bill reserves roughly 10 per cent of the amount of water that would be delivered by the CVP in a year of normal rainfall to replenish river flows and reservoir levels, restoring fish and waterfowl habitats destroyed by diversion of water to the Central Valley.

It also provides city dwellers with access to CVP water supplies by enabling farmers, for the first time, to sell surplus supplies to cities.

Although the president has sided with the urban majority in California, his decision is not seen as a big vote-winner in the state, where he is trailing Governor Bill Clinton, the Democratic presidential candidate, in opinion polls. Rather, the passage of the water bill is seen as a defeat for the president, governor and other Republican politicians who have long opposed the water reform measures.

Mr Bush was put in a "no win situation" by Democratic lawmakers, Mr Wilson charged.

George Graham in Chippewa Falls hears Bush's horror stories

President calls up goblins

HALLOWE'EN in the American Midwest is a time for goblin masks, witches' hats and pumpkin lanterns, but for President George Bush this weekend it brought a final chance to tell horror stories about what would happen if Governor Bill Clinton were to win tomorrow's presidential election.

"If you want to go the Clinton route, every day will seem like Hallowe'en – fright and terror, fright and terror, witches and devils everywhere," Mr Bush proclaimed on Saturday as he meandered through the marshy flatlands of Wisconsin on a whistle-stop train trip.

In Burlington, Oshkosh, Stevens Point and Chippewa Falls, the president returned repeatedly to the theme that Republicans hope will at the last minute bring their voters back: that Mr Clinton is inexperienced, untrustworthy and ready to take both sides of every issue.

"The pumpkin in the Arkansas governor's mansion has two faces: whatever side you're on, he's right there. You can't do that as president of the United States," Mr Bush said.

But Mr Bush could not stop a skeleton from rattling in his own closet, as a small aircraft flew over his head trailing a banner reading "Iran Contra Haunts You".

Mr Bush at first ignored the issue, brought back to life by renewed evidence from the trial of Mr Caspar Weinberger, the former defence secretary, that as vice-president he was not, as he has asserted, "out of the loop" on the deal to trade arms to Iran in exchange for the release of US hostages held in Lebanon.

But in Oshkosh, confronted by a cluster of hostile placards waved by Clinton supporters, Mr Bush confronted Iran-Contra head on. He said his opponent had seized on the issue because he had started to panic that "the power that he's lusted for is going to slip away from him."

"He has now latched onto these silly little charges, accusations, in a desperate attempt to stop his free fall in the polls," Mr Bush said.

Despite the recent narrowing of the gap between Mr Bush and Mr Clinton in national opinion polls, the president's 40-hour visit to Wisconsin, a state he lost in 1988 to Mr Michael Dukakis, suggests that his campaign is still struggling to make up lost ground.

Mr Tommy Thompson, the state's popular Republican governor, argues that it is possible for Mr Bush to win a majority in the presidential electoral college without Wisconsin's 11 votes, but he admits Mr Bush does not have 11 votes to spare.

Because California has swung this year away from Mr Bush towards Mr Clinton, Republican campaign managers have had to rework their electoral college arithmetic.

That they still need so badly to win Wisconsin speaks clearly of how difficult they are finding it to scrape together the 270 electoral college votes they need.

It is clear, nevertheless, that the Bush campaign has regained some of its enthusiasm, and that the president is far from beaten yet.

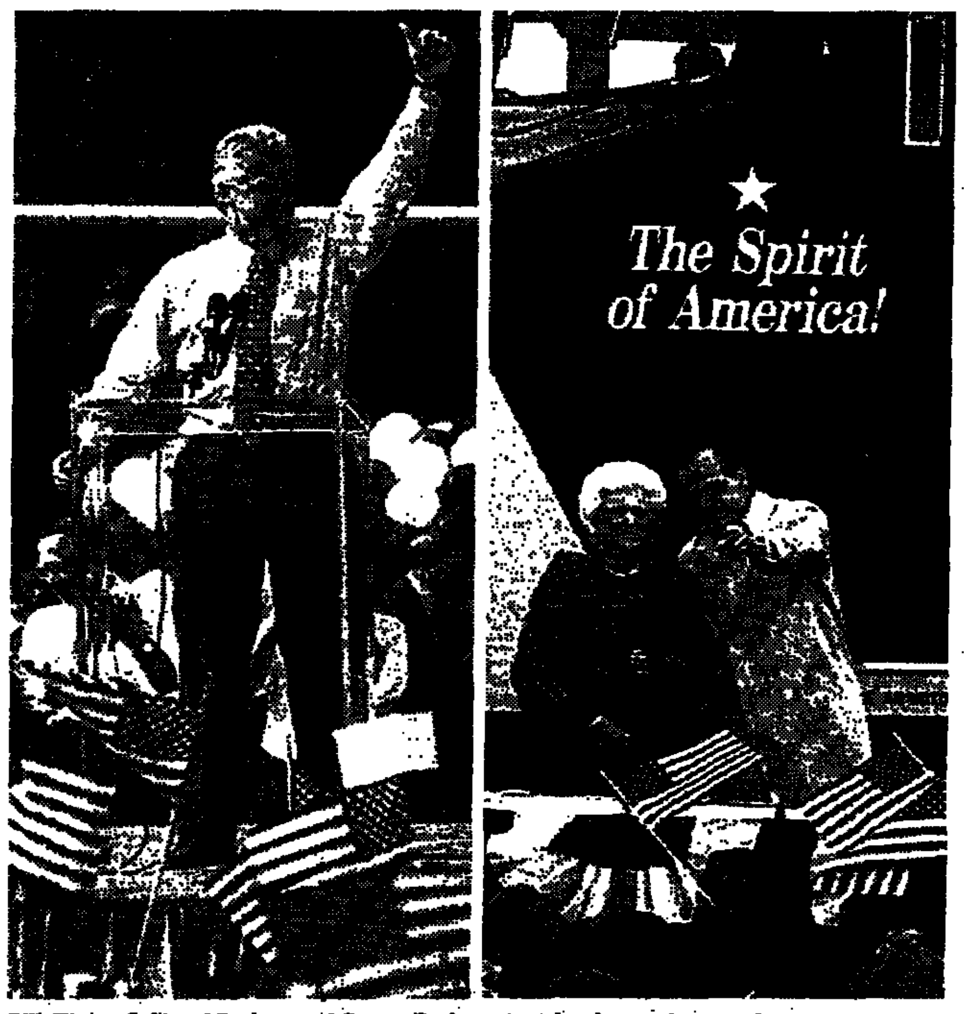
One promising sign is that Senator Robert Kasten, who earlier had kept his distance from Mr Bush's ailing campaign for fear of jeopardising his own re-election bid, joined the president at his railway rallies on Saturday.

Governor Thompson is counting on supporters of Mr Ross Perot to decide that a vote for the Texas independent would be wasted. "I am confident that over the course of the next hours, of these Perot supporters a higher proportion will go for George Bush than for Bill Clinton. That is what is going to carry Wisconsin for George Bush," he says.

But the governor still calls the race "a toss-up. It is whoever gets their voters to the polls on Tuesday."

If that is so, the president may need to drum up more enthusiasm than he generated among the respectable but not ecstatic crowds who came to see him at the weekend.

"Our people shout louder, but maybe that's because we have bigger problems," commented Mr Alexander Shulepov, a Russian student who is spending a year in Wisconsin.



Bill Clinton (left) and Barbara and George Bush meet weekend campaign crowds

Bush tries to ignore Iran charge

By Jurek Martin in Washington

PRESIDENT George Bush made it crystal clear over the weekend that he has no intention of responding to the latest Iran-Contra revelations in any detail and thinks the public should focus much more on Governor Bill Clinton's evasion of military service 23 years ago.

Mr Bush bristled in a TV interview yesterday when questioned about new evidence in an additional indictment against Mr Caspar Weinberger, the former defence secretary. Mr Weinberger's notes suggested Mr Bush was much more familiar with the arms-for-hostages scheme far earlier than he has let on.

"Do you want to spend the whole half hour on this," the president demanded. The time could be better spent talking about Mr Clinton and the draft, he said. In any case, the two issues were entirely different. He thought the Iran-Contra investigations were "a big witch-hunt" and found it sinister that the latest indictments should have been handed down so close to the election.

Over the weekend he accused the Democrats of seizing on the issue to divert attention from the fact that their lead was "slipping away". Whether that is true or not, the Clinton campaign has lost no opportunity to capitalise on the fact that the trust issue may be as relevant to Mr Bush as to Mr Clinton.

Thus, on Friday night, Mr George Stephanopoulos, Mr Clinton's communications director, called up the Larry King Live TV show, on which Mr Bush was a guest, to point out discrepancies in presidential statements about his knowledge of Iran-Contra.

Mr Clinton also consistently accuses Mr Bush of putting out false and misleading advertisements about his record. He specifically charged the president of pandering to regional prejudice. "In one state," Mr Clinton said in Georgia, "he says I'm too liberal, in another state he says I'm a backwater redneck."

Mr Bush said yesterday: "I have never accused him of being a redneck, I've just said he has a sorry record in Arkansas." He denied he bore any responsibility for what he conceded was "an ugly campaign, the worst I've known", adding "I will dish it out and see if they can take it."

He then denied all knowledge of two recent commercials which portray Arkansas as an industrial and environmental wasteland. The authors of two studies which form the basis for the advertisements have complained that the Bush campaign has completely distorted their findings.

Japanese adjust to idea of 'President Clinton'

Challenger is seen as more realistic about the causes of US problems, writes Charles Leadbeater in Tokyo

THE PROSPECT of Mr Bill Clinton riding in from Arkansas to take up the reins of presidential power in the White House could have been tailor-made to highlight the differences between politics in the US and Japan.

It is inconceivable that a young, untested outsider could rise from the political shadows as governor of one of the poorest regions of Japan to within reach of the most powerful post in national politics.

In Japan access to the top political jobs is so tightly regulated that the choice of the cabinet can be calculated almost by a formula.

Despite the cultural shock a young US president might deliver to a Japanese political leadership generally at least 20 years his senior, the Tokyo elite is learning to tolerate the prospect of change in Washington. Japanese attitudes towards the US presidential race have gone through several phases this year.

At the outset it appeared the looming Japanese trade surplus might play an important role in the election, especially as President George Bush choose to kick off his campaign in January with an ill-fated visit to Tokyo. Even so, Japanese officials were adamant that Japan needed the continuity of a Republican White House committed to free trade.

The entry of Mr Ross Perot, the Texas independent, provoked fears that the US might succumb to economic nationalism, with Japan as the main victim. Briefly, over the early summer, stopping Mr Perot was seen as the main priority.

After the Democratic convention the mood changed. Mr Clinton's impressive lead in the polls – later much diminished – persuaded Tokyo analysts that Mr Bush's defeat was almost inevitable; they had to learn to tolerate Mr Clinton.

Two schools of thought run through Japanese politics, the bureaucracy and business about the impact of a Clinton presidency.

The pessimists are apprehensive on several counts. The uncertainty of change would be highly unsettling to Tokyo policy makers. Japan has done well from Republican presidents. Its economy was given a hefty kick start by the Korean and Vietnam war efforts in the 1950s and 1960s. In the past decade Japan's economic power grew hugely during the Reagan-Bush years, partly because of the rise in the US federal deficit and the growth of the Japanese trade surplus.

The pessimists acknowledge that the US has made increasingly insistent demands upon Japan over bilateral trade and foreign policy issues such as Japan's contribution to the the Gulf war. Yet Republican foreign policy has generally provided a familiar framework for Japan to rely upon, particularly as its gropes for a broader international role in the wake of the end of the cold war.

But the pessimists fear a Clinton presidency would fall prey to protectionists in the Democratic party who call for industrial policy to be matched by an aggressive trade policy targeted at Japan, with quotas for imports into the US and market opening in Japan.

However, over the past few weeks a growing number of Tokyo policy-makers have become optimistic that a Clinton victory could pave the way for more equitable relations with the US. Their optimism is encouraged by the belief that the election campaign has marked a significant shift in Americans' perceptions of the US economy's strengths and weaknesses.

Tokyo optimists believe US politicians are becoming more realistic about the domestic factors behind declining US competitiveness, particularly poor education and training and low savings and investment, and think this new realism will lead the US to moderate its demands on Japan.

This belief has several sources. Protectionism has played far less of a role in the campaign than many in Tokyo feared. Mr Noboru Hatakeyama, vice minister at the Ministry of International Trade and Industry, commented: "The election has shown a strong common sense in the US about the importance of avoiding protectionism."

Mr Clinton's stress upon a revised industrial policy to promote US competitiveness also strikes a chord. An active state policy to boost competitiveness would be more recognisable to Japanese policy makers who have never shared the Republican ideological zeal for the free market.

A senior official at the Ministry of Finance goes even further, predicting that if he wins Mr Clinton might put trade relations on a more stable footing: "The trouble with the Bush administration's approach to trade was that it started from the premise that the problem lay in Japan, with Japanese unfairness. The Clinton team start from the premise that the main problem is in the US. That is a fundamental shift. We might be more willing to help if the US is really making an effort to restore its competitiveness."

The possibility of Democratic control of both the White House and the Congress also encourages the optimists that "Japan-bashing" will become less powerful. As a senior US businessman in Tokyo put it: "The Bush trade initiatives have been an economic failure but a political success because they were primarily designed to head off political pressure in Congress. With a Clinton administration there would be less political window dressing and more emphasis on what can be done practically."

This optimism has not reached into the popular press, whose commentators issue daily warnings of the dire consequences which lie in store for Japan from a Clinton victory. But the Tokyo professionals are more pragmatic; they are quietly clearing the ground to allow them to shift their allegiances if Mr Clinton wins.

Japan's relations with the US have suffered a sharp deterioration, with mounting distrust on both sides, according to a poll published yesterday by a leading Japanese newspaper, Charles Leadbeater writes.

The poll, conducted with more than 4,000 interviewees in the US and Japan, found the number of Japanese and Americans who believe relations between the two countries are good has fallen to a 15-year low. The proportion of those who think relations are poor has risen sharply over the past year.

The annual poll conducted by the Yomirui newspaper group in Japan and Gallup, the polling organisation in the US, found that only 8 per cent of US respondents thought Japan was a trustworthy nation. About 60 per cent of US interviewees believed its policy would be shaped by the idea that Japan is a threat to US interests.

Yomirui said the deterioration in attitudes probably marked the rise in the Japanese trade surplus with the US as well as the increasing domestic orientation of US policies.

Japan's standing in US esteem has fallen consistently over the past six years according to the poll. In 1987 it found that Japan was ranked as the ninth most trustworthy nation by US respondents. This year it fell to 14th.

The survey found that President George Bush is still popular among the Japanese despite the controversy over his illness-plagued visited to the country in January, at the outset of the presidential election campaign.

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Collor scheme 'turned over $200m'

By Christina Lamb in Rio de Janeiro

THE corruption scheme allegedly involving Brazil's suspended President Fernando Collor reached into most areas of government and had a yearly turnover in excess of $200m, according to computer records published in the Brazilian press yesterday.

The records show the existence of a big corruption network, a so-called parallel government, with contacts in almost all ministries. It extorted kickbacks on everything from road construction contracts to importation of food and health items for charity programmes.

The news magazine Veja published extracts from the 251 pages so far transcribed by police from secret files stored in the computer seized from the office of Mr Paulo Cesar Farias, Mr Collor's friend and former campaign treasurer who allegedly ran the scheme, and on whom Mr Collor blames the scandal.

Mr Collor is referred to throughout as "Big Boss" and Mr Farias as "chief lobbyist."

Accounts and objectives are clearly presented, with finances rigorously controlled. Targets include forming "joint ventures" with various major companies and "the strengthening of new economic groups". It also explains how participants should behave in public, adding that the scheme would run until December 1994 – the last month of Mr Collor's mandate.

Accessed using the password "Collor," one secret file labelled "Cash" lists 128 government projects between September 1990 and February 1991, each assigned the name of a constellation as codeword and marked with the percentage of kickback ranging from 3 to 15 per cent.

Another file lists contacts in 862 companies and government departments, including the names of many leading national and multinational companies.

In a section written before Mr Collor's sudden sacking of his cabinet in March, participants are warned of the necessity of "complete expurgation" because of "mounting allegations against the chief lobbyist".

It adds: "It may not be possible to operate in all ministries".

Panic could lose vote of confidence

MR Milan Panic, the Yugoslav prime minister, could lose a no-confidence vote in the federal parliament today, report Laura Silber in Belgrade and Reuter in Sarajevo.

Mr Slobodan Milosevic, Serbian president, has orchestrated a campaign to undermine the Belgrade-born California businessman since he was designated prime minister in July.

The campaign has intensified over the past week.

Russian troops sent to N Ossetia

By Steve LeVine in Moscow

RUSSIA flew 3,000 special forces to halt ethnic fighting in the troubled Caucasus mountains at the weekend, its second troop deployment in a week to support a beleaguered government in its former empire.

Russian President Boris Yeltsin sent Spetsnaz commandos and elite police to Vladikavkaz, capital of the Russian autonomous republic of North Ossetia, 1,100 miles south of Moscow.

The troops were sent to halt fighting between Ossetians and a regional ethnic group, the Ingush, who officials claimed were setting fire to Ossetian-owned homes. Scores were reported killed and injured in street fighting between Ossetians and Ingush in the past several days.

Ingush rebels were reported yesterday to have taken hostage 80 Russian interior ministry soldiers based in the region.

A local official said the soldiers were seized on Friday in the Dzhermen settlement, located near the regional capital, Vladikavkaz, and populated mostly by Ingushis, Mr Felix Gutnov, spokesman for the North Ossetian interior ministry, said.

The Ingush, who declared an independent state in June, are demanding the return of lands that Russian leader Josef Stalin expropriated in 1944 and declared part of North Ossetia.

Mr Yeltsin and Russian Prime Minister Yegor Gaidar held emergency meetings on the crisis on Saturday and yesterday. At the same time, the North Ossetian government said it would distribute Russian army-supplied automatic weapons to civilian volunteers.

"The Russian authorities are strong enough to make all those violating the law respect it," Russian Deputy Prime Minister Georgy Khizha, Mr Yeltsin's specialist on the Caucasus, told Russian television.

The Russian action mirrored recent developments in the former Soviet republic of Tajikistan, where Russian troops have also been deployed.

The Central Asian nation, which has yet to form its own army since the Soviet Union collapsed last December, has also distributed hundreds of weapons to civilians to protect the government.

On October 26-27 Russian soldiers played a crucial role in crushing a coup attempt in the Tajik capital of Dushanbe. The troops secured the airport, railroad and television stations.

Mr Yeltsin has not yet replied to a request by Tajik officials last week to send additional troops to guard the capital.

The Caucasus mountains, which stretch from southern Russia to the borders of Turkey and Iran, are engulfed by several conflicts. Among them are Georgia's war with Abkhazian separatists, and Azerbaijan's conflict with ethnic Armenians in Nagorno-Karabakh.

President Yeltsin in Astrakhan yesterday garnering support for a meeting of Russia's Congress of People's Deputies on December 1

Private armies bring instability to Tajikistan

Steve LeVine on a Central Asian power struggle

ORDER has so deteriorated in the former Soviet Union's south-eastern corner that political power now hinges on the loyalty of competing private armies, and, ironically, the long-hated Russian army.

Six months of turmoil in Tajikistan, where the strongest private armies fought for power in a failed coup attempt a week ago, have made it the least stable of the 15 ex-Soviet republics.

The capital of Dushanbe, under a 10pm-to-5am curfew, is controlled by these irregular forces and the Russian army. Acting President Akhbarshah Iskandarov travels around in an armoured personnel carrier. Shops have been locked shut for a week and no food is to be bought other than onions, potatoes and cabbages.

Tajik officials do not expect things to improve soon, admitting that the government's dependence on untrained, volunteer forces, some of which include criminal gang members, is inherently risky. "Criminal gangs have no religion, no ideas. They remain with those who pay them well, and with whom they feel influence," said Col Jurabek Aminov, deputy chief of Tajikistan's KGB.

Since the Soviet Union collapsed last December and left the emerging republics without their own armies, irregular forces have risen to importance both in Central Asia and the Caucasus mountains. They helped bring down governments in Azerbaijan and Georgia.

They emerged in Russia itself last weekend. The government of the Russian Caucasian republic of North Ossetia announced it would distribute arms to volunteers to help crush an uprising by the minority Ingush.

As in Tajikistan, Russian forces have been deployed to prop up North Ossetia's government.

Tajikistan's current trouble can be traced to a 51-day rebellion in the capital that ended in May when then-president Rakhmon Nabiyev handed over some power to the opposition. In the rebellion, volunteers loyal to both sides fought in the streets and more than 200 people died. Afterwards, despite the settlement, the competing forces went south to the region of Kurgan-Tyube and began fighting there; officials estimate deaths there at more than 1,000 and say some 250,000 Tajiks have become refugees. In September, opposition fighters forced Mr Nabiyev to resign at gunpoint.

About 50 private armies, some of them criminal syndicates, have carved Tajikistan up into areas of influence, say diplomats and Tajik officials. Most of them possess arsenals of Soviet-made weapons bought illegally from Russian soldiers or smuggled from neighbouring Afghanistan. The weapons are bought at a high price, and no one is sure where the money comes from, though government officials speak darkly of "outside forces" financing the fighting. In the last week, the price of a Kalashnikov automatic rifle rose from Rbs170,000 to Rbs250,000.

One of the most important forces is commanded by Mr Juma Khan, who is loyal to the government. His army, which he calls Tajikistan Youth, forced Mr Nabiyev's resignation. It happened at the local airport. With Mr Nabiyev in the airport's VIP lounge, Mr Khan's men moved in tanks and armoured personnel carriers, and reportedly threatened to fire on the building.

Mr Khan also helped crush the October 26-27 coup attempt by rebels who wanted to reinstall Mr Nabiyev. The attempt failed when, with Russian troops taking control of roads and key strategic installations in the capital, private armies loyal to Mr Nabiyev failed to reach Dushanbe to counter those of Mr Khan's and other, allied forces.

Mr Khan is now among the most powerful men in Dushanbe. His forces man checkpoints around the capital. Recently, he boasted to reporters that he had bought three Soviet tanks and 10 armoured personnel carriers.

In the failed coup attempt, three of Mr Nabiyev's most important militia commanders were either killed or wounded. But the most notorious of them – a convicted murderer named Mr Sangak Safarov – remains healthy, and the word last week was that he might be organising a new assault against the capital. In addition, some Tajik officials are predicting that forces now allied with the government will eventually splinter and have their own, bloody struggle for power.

As it stands, the Tajik government controls little territory outside the capital and it may not even control that. It is not clear how it can soon stabilise the country.

Salinas signals electoral reform

By Stephen Fidler and Damian Fraser in Mexico City

PRESIDENT Carlos Salinas of Mexico yesterday signalled modest electoral reform and underlined his government's commitment to fiscal austerity in his annual state-the-union address.

The president also announced that the Bank of Mexico's reserves had risen to $18.258bn (£11.1bn), allaying fears that there had been a large outflow of capital in early October. Reserves, announced just three times a year, were $18.023bn in August.

Mr Salinas outlined a three-point plan for electoral reform, in an apparent effort to end the post-electoral demonstrations that have forced three state governors to resign in just over a year. The plan addresses criticisms that the electoral process is heavily loaded in favour of the ruling Institutional Revolutionary party.

A new law, which would be negotiated between the political parties, would make the source of party finances transparent, set ceilings on electoral expenses, and attempt to ensure more impartial electoral processes and more equal access to newspapers and television.

The president emphasised his government's fight against inflation, forecast to fall below 10 per cent next year. "The stability of prices has proved to be the best way to achieve sustained real growth of salaries. Because of this, we will not relax fiscal discipline, and we will maintain the financial surplus in the public sector." He said the fiscal surplus would not be reduced to boost demand, and strict fiscal discipline would be maintained "even when we reach single-digit inflation".

Mr Salinas highlighted the need to raise the savings rate, to promote more investment, and to raise productivity.

In an apparent response to concerns about Mexico's widening current account deficit, expected to come close to $20bn this year, Mr Salinas raised for the first time the issue of the dumping of foreign products in the Mexican markets. "We will face greater pressure from imports of foreign products that cannot find buyers in their own markets, but we can counter this by mounting an effective guard against unfair trade practices."

He said: "We must ensure that imports do not enter the country under terms of unfair competition. Consequently, we have strengthened mechanisms to defend ourselves against unfair trade practices."

On the domestic front, he said he planned a constitutional amendment to make secondary education compulsory.

France and Italy plan protection for sea

By Alice Rawsthorn in Paris

THE FRENCH and Italian governments are planning to create two protection zones for the natural life in the Mediterranean Sea, in an attempt to shield fish and other endangered species.

Ms Segolène Royal, the French minister for the environment, and Mr Carlo Ripa di Meana, her Italian counterpart, agreed yesterday, during their meeting at Aosta in Italy, to set up two special zones.

One would be in an area between Corsica and Sardinia, the other by the Hyères islands off the French port of Toulon, where naval traffic and fishing would be severely restricted.

The two ministers are forming a working party to finalise proposals for special nature zones in the Mediterranean.

They are also joining Mr Flavio Cotti, their opposite number in Switzerland, to try to impose environmental protective measures on the rail network through the Alps.

Bonn warned on budget cuts

By Quentin Peel in Bonn

HOPES for negotiation of a "solidarity pact" of wage restraint between the German government and trade unions could be dashed by plans to cut social spending next year, union leaders warned at the weekend.

The ruling coalition has drawn up plans to cut several billion D-Marks from next year's budget, including a freeze on social security payments, a reduction of 25 per cent in allowances for asylum seekers and an increase in unemployment contributions.

Details of the spending package, due to be finalised by the German cabinet on Wednesday, were spelt out by Mr Theo Waigel, finance minister in a weekend interview. He called for a three-year pay pause for public sector workers, with wages tied to inflation, and a postponement in planned increases in student grants.

He said a freeze on social security payments could save DM2bn ($1.3bn) next year, while the cut in allowances for asylum-seekers would save a further DM1bn. Linking public sector pay rises to inflation could save as much as DM5bn in 1993 and DM10bn in 1994, for central government, the federal states and local government combined.

Waigel: seeks three-year pay pause for public sector workers

As for subsidies to special industries – including agriculture, shipbuilding and coal mining – Mr Waigel would say only that all those payments would be investigated again before the 1993 budget was finalised. From that vague statement, it appears that the coalition has decided that cuts in social spending may be politically easier than cuts in subsidies to politically-sensitive industries.

Despite the savings, the government has accepted that next year's slower economic growth will mean a DM6bn increase in the forecast central government budget deficit, according to weekend reports. Instead of falling from DM40.5bn to DM38bn, it will increase to DM44bn.

The revelations brought an inevitable backlash from both trade union leaders and the opposition Social Democrats (SPD), both of whom Chancellor Helmut Kohl hopes to involve in a solidarity pact.

Mrs Ursula Engelen-Kefer, deputy chairman of the DGB trade union federation, said cuts in social spending would postpone a solidarity pact "into the distant future".

Mr Roland Issen, leader of the white collar federation, the DAG, said that any budget cuts which upset the "social symmetry" would destroy the chances of negotiating a solidarity pact.

For the SPD, Mr Rudolf Dressler, deputy leader of the SPD parliamentary group, said the cuts were "not budget consolidation. They are putting a torch to the welfare state."

● A controversial German-Romanian deal to speed up the repatriation of tens of thousands of Romanian refugees took effect yesterday, but Bonn said it was not planning mass deportations, Reuter reports from Bonn. The accord allows Germany promptly to send back Romanians denied political asylum, even if they say they have no passport. Critics say it violates human rights and is in bad taste, given that many of the refugees are gipsies, who after Jews were the largest group killed by the Nazis in the second world war.

Airline body seeks let-up on investment

By Paul Betts, Aerospace Correspondent, in Montreal

THE International Air Transport Association (Iata) is urging governments to relax rigid foreign investment rules for airlines to encourage cross-border mergers and alliances in the industry.

The organisation, which groups 210 international airlines, recommends in its annual report to be published today that governments allow foreign investors to acquire up to 49 per cent of the voting rights in their national airlines. Competition law should override national transport policies.

This issue is at the centre of tense negotiations between the UK and the US over British Airways' plan to acquire a 44 per cent stake with 21 per cent of the voting rights in USAir for $750m.

The US is seeking greater access for US airlines into the UK market as a condition for approving BA's investment in USAir. But the UK is only prepared to grant this if the US in turn relaxes its foreign investment rules for airlines.

The Iata recommendation comes at a time of consolidation and globalisation in the airline industry, which has been accelerated by deregulation and the economic recession. Mr Gunter Eser, Iata's director-general, also warns that despite a slow recovery the industry is heading for another big loss this year of around $2bn.

Iata airlines lost $4bn on international scheduled services last year after losing $2.7bn in 1990.

Mr Eser notes in the annual report that airline interest charges have doubled since 1987 reflecting high interest rates and, above all, the very high proportion of debt which airlines now have.

● The International Federation of Tour Operators (Ifto) has warned that the number of tourists visiting Greece next year could fall by 1m following the introduction of a $26 airport departure tax, writes Michael Skapinker.

Danish premier under threat from scandals

By Hilary Barnes in Copenhagen

WHEN DENMARK'S foreign minister, Mr Uffe Ellemann-Jensen, sets out this week to sell his country's ideas on the Maastricht treaty to the other European Community governments, he will leave behind an administration adrift on a sea of domestic troubles.

These problems could become so acute within the next few weeks that the prime minister, Mr Poul Schlüter, might have to resign after 10 years in office.

This would almost certainly precipitate an election in which the opposition Social Democratic party would have an excellent chance of emerging as the winner, with its leader, Mr Poul Nyrup Rasmussen, as the next prime minister.

All this would be happening at a particularly difficult moment, with Denmark to assume the presidency of the Community on January 1, but a change of government might help gain Danish electoral acceptance for the Maastricht treaty next year.

When the treaty was voted down by referendum last June, the result was determined by the fact that 60 per cent or more of the supporters of the Social Democratic party rejected their party's advice and voted against.

In government, the party's authority and ability to persuade its supporters to back the treaty in a second referendum would be much greater, according to a senior diplomat.

The government's troubles have nothing to do with Maastricht, but are related to a series of political-administrative scandals.

The most serious is the long-running "Tamil scandal". In 1987, a minister of justice broke the law by denying the right of Tamil refugees in Denmark to bring in their close relatives to join them.

The prime minister had no part in his minister's action but, in April 1989, he reported to parliament on the matter with the words: "Nothing has been swept under the carpet".

A judicial inquiry, conducted by High Court Judge Mogens Hornslet, has spent almost two years trying to establish whether there is a case for further proceedings against any of the ministers or civil servants involved. The judge's report is expected early next month.

Politicians and political commentators believe Mr Schlüter will have to resign if the report criticises him either directly or implicitly.

Pressure grows on Craxi to step down as Socialist leader

By Haig Simonian in Milan

GROWING differences in Italy's Socialist party, tainted by revelations of corruption in its Milanese stronghold, emerged over the weekend with calls for its leader, Mr Bettino Craxi, to step down.

In his toughest challenge to the leadership, Mr Claudio Martelli, the Socialist minister of justice and a former protégé of Mr Craxi's, said the current leaders had become a liability and should step aside before a national conference due later this month.

Mr Martelli, backed by more than 20 of the party's 73-strong directorate, said the resignations would let the conference concentrate on reform and improving the party's image. The leadership, for years the party's strongest card, had become a "problem", he said.

Claiming surprise, Mr Craxi said he would make inquiries to see whether the majority of the party's directorate favoured the call.

Although Mr Craxi has not been implicated in the various investigations into corruption and illegal political funding, close allies have been arrested in Milan, while Mr Gianni De Michelis, the Socialist former foreign minister and now the party's deputy leader, is under investigation in the Veneto region.

Separately, magistrates in the northern city of Varese, a stronghold for the autonomist Lombard League, have started investigations into five MPs, one from the European parliament, for a variety of alleged charges including corruption and illegal funding.

In Naples, the battle of wills between politicians and magistrates investigating alleged corruption and electoral malpractice took a new turn with judges defending their decision to seek computer records from Mr Francesco De Lorenzo, the health minister, and other local MPs. 'Magistrates are looking into claims that MPs traded votes for political favours, notably jobs in state companies.

Italian parties keep hold on bank posts

By Haig Simonian

ITALY'S main political parties are down but not out, judging by the clutch of appointments to head some of the country's big public-sector banks.

The latest batch of names – traditionally appointed on party political grounds – - suggests the Amato government has only partly responded to the national desire for change.

There are some new faces among the 72 appointments and re-confirmations, notably with the choice of a few apolitical academics to bank chairmanships.

However, many former political appointees have also kept their jobs after the expiry of their mandates.

The most prominent among the newcomers is Mr Giovanni Grottanelli de' Santi, the new chairman of Monte dei Paschi di Siena, which is one of Italy's biggest and most conservative banks. An academic at the city's university, Mr Grottanelli fills the job vacated over two years ago by Mr Piero Barucci, now treasury minister, who left to become joint managing director of Credito Italiano before joining the new government.

Among the most prominent political appointees to be reconfirmed was Mr Roberto Mazzotta, Christian Democrat chairman of Cariplo, Italy's biggest savings bank.

French government in docks accord

By Alice Rawsthorn in Paris

THE French government has taken a significant step forward in its attempt to modernise France's docks by clinching an agreement with Le Havre dock workers to cut 1,000 jobs and modernise working practices.

France's dock authorities have for months been locked in negotiations with dockers at different ports as part of a national initiative to make the docks more internationally competitive and to stem the loss of business to other countries.

The negotiations have been fraught with problems which culminated this summer in stoppages that brought many French ports to a standstill.

The authorities have already concluded negotiations at some ports but the agreement at Le Havre, the biggest port in France in terms of the value of cargo handled, is a landmark and could clear the way for similar accords at other ports.

EC sticks to policy as trade talks begin

By David Gardner in Brussels and David Dodwell in London

AS ministerial-level farm trade reform talks between the US and the European Community were set to start in Chicago last night, the EC reiterated that any deal would have to protect the reform of the Common Agricultural Policy (CAP), agreed in May.

The meeting – of Mr Ray MacSharry, EC agriculture commissioner, and Mr Ed Madigan, his US counterpart – is seen on both sides as the last chance to avert a trade war, and to salvage hopes for wide-ranging trade liberalisation under the Uruguay Round, which has been stalled for two years by the row over the EC's subsidised food export regime.

Top EC negotiators believe agreement can be reached with the US, but are voicing no public optimism because Washington has left this meeting until hours before Americans vote in presidential and Congressional elections tomorrow.

US trade official also say there was little optimism that the new talks would provide a breakthrough.

The EC's absolute and final determination to stay within the framework of CAP reform has been clear to the US since early last Tuesday morning, officials say.

After two weeks of intensive diplomacy, compromise agreements appear to have been forged in all areas except that of trade in oilseeds.

A White House meeting last week agreed to announce sanctions against the EC on oilseeds on Wednesday, if a settlement has not been reached by then. US farmers have been complaining for five years that the EC's oilseed subsidy regime has harmed them. Two dispute panels of the Geneva-based General Agreement on Tariffs and Trade (Gatt) have endorsed their claims.

A Gatt council meeting, planned for Wednesday, could be used to win multilateral sanction for the US to impose punitive tariffs on EC farm exports. France – Europe's main farm exporter – is said to be the main target of the tariffs.

Senior officials in Brussels fear that Washington delayed the Chicago meeting in the hope this would boost President George Bush's chances of re-election.

Another fear is of an eve-of-poll ambush, in which the Community might be blamed for having blocked the benefits to the world economy of a deal through the Uruguay Round.

EC officials say the new CAP's cuts in subsidised farm prices and production, passed into Community law at the beginning of July, can deliver all but the tiniest wrinkles on a global Gatt agreement.

They are adamant about the need to stay within the framework of the reform, arguing that, if they put one foot outside the CAP, they would be unable to prevent opponents – principally in France – from unravelling the entire package.

Mr MacSharry has so far built majorities inside the European Commission and the member states to beat back France's attempts to scuttle a Gatt deal.

Yet, if no agreement is reached, a rapidly expanding trade war and litigation through the Gatt could undo the new CAP anyway.

In addition to levying punitive tariffs on EC exports, the US would certainly try to build on its two successive Gatt judgments against the EC's oilseeds regime.

Further challenges to the EC farm regime would come from Australia, New Zealand and Argentina, already preparing cases against the EC's subsidised wheat and beef exports to put to Gatt adjudication.

Mr Rafik Hariri, the new Lebanese prime minister (pictured above), announced at the weekend a 30-strong, half-Christian, half-Moslem cabinet of which 12 members are technocrats or business associates of his, writes Lara Marlowe in Beirut. The prime minister, who has taken the finance portfolio, has appointed Mr Fouad Siniora, who headed Mr Hariri's banking group in Lebanon, as minister without portfolio.

Power of a postal route to rescue

Charles Leadbeater finds Japanese strength against recession in an old savings method

THE LOCAL post office in Tokyo's fashionable Harajuku district, tucked in a narrow back-street, is as central a social institution in its community as the collective bath-house opposite, which attracts a stream of people each evening.

The office, overseen by the postmaster and a team of staff in sharp white shirts, hums not so much with people posting mail as with those withdrawing cash from its two automatic teller machines and depositing their savings.

The 23,000 tiny local post offices like that at Harajuku are the main way by which most Japanese people save. Over the next few years, those savings will play a vital role in attempts to prevent Japan slipping into full recession.

The chief risk of recession stems from the weakness of Japan's once mighty banking industry, plagued with bad debts on real estate loans that turned sour as the property market collapsed. The main hope of reviving the economy is investments made by the postal savings system, Japan's fastest-growing and strongest financial institution. With assets of Y138,500bn (£700bn), it is about three times as large as Japan's largest bank, DKB, which has 390 branches.

Just as the local post offices are usually hidden away in back-streets, so the role of the postal savings system in seeking to revive the economy will not be obvious from government's accounts. This is how it will work.

The savings collected through the post offices are passed to the post and telecommunications ministry, which then passes them to the trust fund bureau of the finance ministry.

The money goes into the Fiscal Investment and Loan Programme, which funds about 11 government banks and financial corporations to carry out investment in infrastructure and industry. Also, the trust fund bureau uses the FILP to buy government bonds, thereby financing government borrowing.

The FILP is worth about Y40,000bn a year, more than half the central government spending budget of Y72,000bn. The finance ministry can use the FILP as a shadow budget. It does not require scrutiny by parliament, so it can respond swiftly to shifting political priorities, such as dealing with the onset of recession.

This year, the FILP, rather than the official budget, will fund most of the Y10,700bn emergency package to revive the stock and real estate markets, announced by the government in August.

In April the programme's budget was set at Y40,802bn. After the emergency measures are implemented, it should turn out at Y45,199bn – a 10.8 per cent increase.

Public expenditure through the budget will be as originally planned, despite a Y4,900 fall in tax revenues. The FILP is to make up a lot of the tax shortfall. The government will borrow more by issuing an additional Y2,256bn in construction bonds. These are mainly bought by the trust fund bureau, which is mainly funded by the FILP.

Most of the rest of the money will come from reduced repayments on government debt, most of which is owned by the postal savings system.

The FILP's expanding role is unlikely to end with this year's budget. There will be a five-year moratorium on central government repayments of debts it owes to the trust fund bureau, which in effect means the FILP. The government may have to borrow more from the FILP if the economy does not revive and pressure rises for tax cuts in 1993.

It is not new for postal savings to play a central role in Japan's economy. Since its establishment in 1875, it has helped to fund Japan's defence build-up before the second world war, its industrial modernisation in the 1950s and 1960s, and more recently has increased public investment in housing and social infrastructure.

The system is more than twice as large as most of its European counterparts; the US system was scrapped as anachronistic in 1966.

The Japanese postal system has increased its share of the savings market through an impressive display of public sector innovation.

The number of post office automatic teller machines rose from 5,411 in 1986 to more than 15,000 last year. It has developed a portfolio of savings products closely tailored to consumer needs.

The system is underpinned by strong cross-party support. Local postmasters, highly respected figures in their local communities, have strong ties to the ruling Liberal Democratic party, which often uses them as local recruiting sergeants. The Social Democratic party has an equally powerful interest in the system's expansion because the Zentei, the postal workers' union, is one of its affiliates.

The investments have built up strong constituencies of support among recipients in industry, small businesses and outlying regions which have benefited from infrastructure spending.

A new departure is the role the system will play over the next few years, with its strategic purpose the salvation of the Japanese financial system.

The Japanese banks have been highly critical of the advantages bestowed on the postal savings system in the form of higher interest rates for savers and much lower taxation than for bank saving. In the last few months, as interest rates have come down, banks have been hit by a flight of deposits to the postal system, which has been able to keep its rates higher. The leading banks have constantly pressed the finance ministry to create a level playing field by liberalising the postal system.

This poses a dilemma for the ministry. As supervisor of the banking system it favours deregulation; as guardian of the national economic growth rate it is used to drawing on postal savings at need.

The banks' ability to clear their rising bad loans will depend in large part on whether the FILP's increased investments will revive the economy and specifically the property-market.

The private and public sides of Japan's finance industry will develop an increasingly symbiotic relationship over the next few years. While the finance ministry will remain publicly committed to financial liberalisation, its actions to support the economy will rely on the strength of a highly regulated public sector savings institution.

Thus the salvation of Japan's banks, which became more internationalised in pursuit of their own modernisation over the last decade, could turn on an entirely domestic network of tiny post offices with their roots in the 19th century.

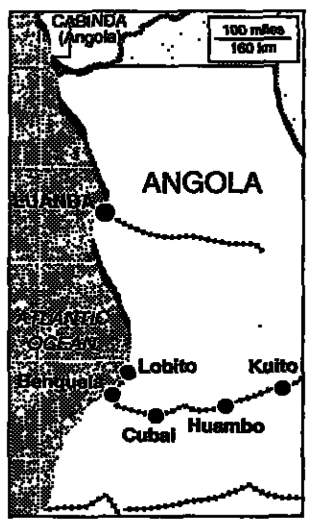
JAPAN is about to grant aid to Vietnam, ending two decades of official economic isolation and opening the way for Japanese companies to broaden trade and investment ties with that country, writes Robert Thomson in Tokyo.

Tokyo last week received informal approval to resume aid from Mr Lawrence Eagleburger, US acting secretary of state, removing the obstacle of US opposition.

Japanese officials indicated that the government will wait until after the US election tomorrow to make a formal announcement, but funds are expected to start flowing before the end of the year.

Omens bad for Angola's future

By Julian Ozanne in Nairobi



MR Jonas Savimbi, the hard-line leader of the rebel Unita movement, has the future of Angola in his hands. The choice between renewed civil war or an 11th-hour negotiated settlement now lies firmly with the 58-year-old guerrilla chief, whose troops have engaged in heavy fighting in the capital Luanda and several other provincial towns.

Nobody, however, not even his former backers in Washington and Pretoria, seems to know what the mercurial Mr Savimbi wants.

Is he determined to fight his way to power against seemingly impossible odds, throwing the vast country of 10m people back into suffering and incurring global opprobrium? Or is he still able to pull Angola from the brink of renewed conflict, swallowing electoral defeat and seeking reconciliation by hammering out a power-sharing deal?

Unless there is a speedy diplomatic breakthrough, Angola seems doomed to renewed conflict, with earnings from its oil exports of 500,000 barrels a day fuelling war, rather than rebuilding the country.

The omens are bleak. The recent eruption in fighting is the worst since Mr Savimbi disputed the results of democratic elections in September, which he lost to President José Eduardo dos Santos and the ruling MPLA party.

Since the elections, attempts to broker a summit of the two leaders, work out a power-sharing deal and hold the second round of the presidential election have floundered amid mutual suspicion and historical antagonisms.

However, instead of committing itself to a negotiated settlement, Unita has mobilised its troops throughout the country, apparently for a full offensive.

The events of the past month, culminating in the fighting of the past 72 hours, suggest that Mr Savimbi and his hardline generals are unable to accept electoral defeat and participation in a government of national unity, unless Unita is given a big slice of power.

Throughout the cold war, Unita was supported by South Africa and the US in its battle against the Marxist MPLA, which in turn was supported by the Soviet Union and 50,000 Cuban troops. Since the elections, though, both the US and South Africa have made clear they are no longer interested in fuelling an African civil war and have pressed Mr Savimbi to negotiate.

He, however, has spurned mediation efforts by both Mr Pik Botha, South African foreign minister, and Mr Herman Cohen, US assistant secretary of state for Africa. "The US has no influence on Savimbi despite the hundreds of millions of dollars they have given him. They created a Frankenstein monster," said one western diplomat.

Western observers remain puzzled about Mr Savimbi's objective. They point out that, even if he returns to full armed conflict, it would be impossible for Unita to win.

For all that, Unita can do great damage, having kept at least 20,000 troops and huge stockpiles of sophisticated weapons, say military observers. In the first weeks of fighting, Unita could seize the strategically vital provincial towns of Huambo, Cuito and possibly the railway town of Benguela, which all eluded Unita during the civil war.

The capture of these central towns, which all voted solidly for Unita in the elections and are the stronghold of Mr Savimbi's Ovimbundu tribe, would split the country in two and prepare the ground for a possible secession of the south. Unita could also create chaos in Luanda, though the oil-producing enclave of Cabinda is harder to disrupt, most installations being off-shore.

Despite this short-term capacity, Unita would find it very hard to hold territory beyond its southern strongholds. Western nations have already warned that any government Unita organises in the south would be isolated diplomatically and economically.

Western diplomats still hope that Mr Savimbi will heed these realities and pull Angola back from the precipice of disintegration. But Mr Savimbi's behaviour in the past six weeks and the level of violence now across the country give little reason for such hope.

Turk army 'takes rebel Kurd base'

TURKISH troops captured a main Kurdish rebel base at the weekend, killing at least 1,000 guerrillas of the Kurdish Workers' party (PKK), state television reported, writes **John Murray Brown in Ankara.**

It quoted military officials in the area as saying the attack was on the PKK base at Haftanin, 10km inside Iraq, from where rebels have raided Turkish border posts.

Tourists attacked

Moslem militants opened fire on a tourist bus carrying Egyptian Christians near the Nile valley town of Dayrut yesterday and injured 10 people, in the second such attack in the area in two weeks, **Reuter reports from Cairo.** A man who said he spoke for el-Gama'a el-Islamiya (the Islamic Group) claimed responsibility.

New ANC talks

The African National Congress is set to resume on November 22 talks with the South African government on transition to democracy, but Zulu leader Mangosuthu Buthelezi could delay the transition, **Reuter reports from Cape Town.**

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

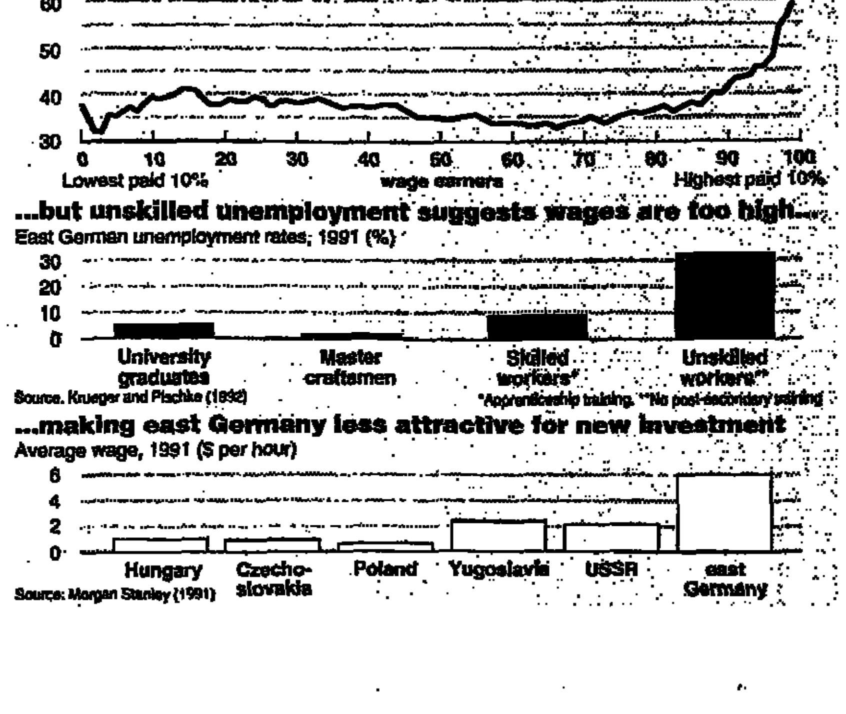
Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

	UNITED STATES					JAPAN				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	103.0	100.0	100.0	2.6	100.0	96.6
1986	105.7	101.0	6.9	98.0	108.2	106.5	99.7	2.8	94.3	105.4
1987	108.3	105.9	6.1	105.5	110.0	113.8	103.1	2.9	108.3	115.4
1988	112.3	111.6	5.4	108.1	114.3	122.8	112.8	2.5	135.9	122.9
1989	115.1	114.5	5.2	99.3	113.1	132.6	119.9	2.2	147.0	126.4
1990	115.4	115.7	5.4	84.5	109.0	142.0	125.3	2.1	149.7	124.5
1991	113.4	113.5	6.6	61.9	114.7	145.0	128.1	2.1	144.1	123.3
4th qtr.1991	−0.5	−0.5	6.9	59.1	114.7	1.9	−1.6	2.1	140.3	123.3
1st qtr.1992	3.3	1.3	7.1	58.9	116.6	−0.8	−4.6	2.0	132.9	123.1
2nd qtr.1992	1.8	2.0	7.4	60.4	116.3	−3.5	−6.2	2.1	126.8	122.9
3rd qtr.1992	2.5	0.7		59.9			−6.3			
October 1991	−0.6	−1.4	6.8	58.4	112.9	1.6	−1.8	2.1	143.5	124.3
November	−1.5	−0.2	6.8	59.1	113.7	4.1	−1.2	2.1	139.0	123.9
December	0.5	0.2	7.0	59.6	114.7	0.0	−1.8	2.1	138.3	123.3
January 1992	5.0	0.0	7.0	56.3	115.7	−0.2	−3.6	2.1	136.1	123.3
February	3.9	1.4	7.2	59.0	116.6	2.4	−4.6	2.0	132.5	123.3
March	1.2	2.5	7.2	61.4	116.6	−4.5	−5.6	2.0	130.2	123.1
April	2.0	2.5	7.1	59.3	116.7	−2.8	−6.0	2.0	130.6	123.0
May	1.7	2.4	7.4	61.3	116.6	−1.0	−8.9	2.1	122.0	122.9
June	1.6	1.1	7.7	60.7	116.2	−6.5	−3.8	2.1	127.7	122.9
July	2.4	1.1	7.6	59.9	115.7		−6.1	2.2	122.5	123.2
August	2.4	0.8	7.5	61.2	116.0		−8.1			
September	2.6	0.2		58.6			−4.6			

	GERMANY					FRANCE				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	106.0	100.0	100.0	10.2	100.0	102.2
1986	103.4	102.2	6.4	138.4	104.7	102.4	101.1	10.4	107.2	108.0
1987	107.4	102.5	6.2	149.4	105.8	104.5	103.1	10.5	117.6	108.3
1988	110.5	106.2	6.2	164.7	111.9	107.9	107.3	10.0	134.9	114.0
1989	114.1	111.4	5.6	218.6	114.7	109.6	111.3	9.4	161.1	113.5
1990	123.5	117.2	4.9	261.0	115.3	110.1	112.7	9.0	166.0	108.6
1991	130.5	120.6	4.3	269.9	112.2	109.7	113.4	9.6	129.7	107.5
4th qtr.1991	1.1	0.1	4.3	263.1	112.2	0.2	1.7	10.0	124.8	107.5
1st qtr.1992	−2.8	1.3	4.3	276.5	112.1	−1.2	1.2	10.1	120.0	108.5
2nd qtr.1992	−4.4	−1.3	4.5	274.1	110.7	0.2	0.2	10.3	108.5	107.8
3rd qtr.1992				261.1						104.9
October 1991	3.0	0.6	4.3	263.9	112.7	1.4	0.8	9.9	125.0	107.6
November	−0.3	1.7	4.3	261.5	112.2	0.7	1.6	10.0	126.3	107.6
December	0.6	−2.1	4.3	264.7	112.2	−1.5	2.7	10.0	123.3	107.5
January 1992	−1.3	0.2	4.3	270.6	112.1	0.2	0.4	10.1	122.5	107.9
February	−2.1	3.4	4.3	279.7	112.2	3.3	0.5	10.2	119.6	108.4
March	−4.9	0.2	4.4	276.9	112.1	−6.9	2.6	10.1	117.9	108.5
April	−2.5	−0.2	4.5	277.9	111.7	2.6	1.3	10.3	105.5	108.2
May	−4.1	0.3	4.5	274.1	111.2	−0.9	−0.4	10.3	103.4	108.1
June	−6.5	−3.9	4.5	270.0	110.7	−1.3	−0.2	10.3	116.4	107.8
July	−4.7	−2.6	4.6	266.0	110.0	−3.5	−1.2	10.3	112.2	107.5
August	−1.4	0.5	4.7	262.7	109.2	0.0	−1.2	10.2	112.0	106.3
September				254.6						104.9

	ITALY				UNITED KINGDOM				
	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	9.6	104.1	100.0	100.0	11.2	100.0	102.1
1986	108.0	104.1	10.5	110.9	105.2	102.4	11.2	116.1	105.2
1987	113.9	106.8	10.9	113.0	110.7	105.7	10.3	141.2	109.5
1988	109.8	114.2	10.9	117.8	117.7	109.5	8.6	144.3	107.8
1989	118.4	118.7	10.9	116.0	119.8	109.9	7.1	124.7	105.0
1990	115.0	118.0	10.3	112.3	120.4	109.3	6.8	97.9	103.3
1991	114.3	115.4	9.8	115.2	119.5	106.1	8.7	68.7	108.1
4th qtr.1991	6.3	−0.7	9.9	115.2	0.4	−0.8	9.3	66.3	108.1
1st qtr.1992		−0.3	9.9	114.9	−0.4	−1.3	9.5	73.7	109.0
2nd qtr.1992		−0.4	9.9	114.2	1.2	−0.2	9.7	67.8	110.6
3rd qtr.1992					0.8			61.6	
1991 October	6.5	−1.7	n.a.	114.6	−0.1	−1.6	9.2	61.1	108.7
November	7.5	2.7	n.a.	114.7	1.6	−0.6	9.3	64.7	108.4
December	5.0	−3.2	n.a.	115.2	−0.4	−0.3	9.4	73.1	108.1
1992 January		−1.4	n.a.	115.0	0.8	−1.1	9.6	72.1	107.9
February		0.3	n.a.	114.8	1.3	−1.1	9.6	73.5	108.5
March		0.3	n.a.	114.9	−3.2	−1.8	9.5	75.4	109.0
April		0.5	n.a.	115.1	1.1	1.4	9.6	70.7	109.9
May		1.1	n.a.	115.1	1.9	0.4	9.7	67.8	110.6
June		−2.7	n.a.	114.2	0.5	−2.4	9.7	64.7	110.6
July		0.0	n.a.	113.3	−0.4	−1.4	9.9	65.5	109.8
August			n.a.	112.4	1.3	−0.2	10.0	63.2	108.3
September			n.a.		1.5			56.2	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. **Retail sales volume:** data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). **Industrial production:** data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). **Unemployment rate:** OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. **Vacancy rate indicator:** relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. **Composite leading indicator:** OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.



Case for wage subsidies in east Germany grows

THE ABJECT failure of the international economic forecasting fraternity in recent years has given economists a bad name. But the economic disaster in east Germany provides a powerful retort to those who argue that economic analysis has no predictive power. The collapse of the east German economy was foreseeable and avoidable. But the warnings were ignored.

The "desolate" state of the east German labour market, as described in last week's bleak economic report from the five leading economic institutes, lies at the root of the united Germany's growing fiscal and monetary and political problems.

Yet this collapse was predicted long ago, most notably in the spring of 1991 by Mr George Akerlof and his colleagues at the University of California at Berkeley (*FT, 13.5.91*). They argued that the pace of convergence of east German wages to west German levels, given the poor state of east German industrial productivity, would render 90 per cent of east Germany's industrial capacity obsolete.

The subsequent path of events appears to support their analysis. Average wages in the east rose by an average 38.3 per cent between 1988 and 1991 to about 50 per cent of west German levels. The result has been to squeeze the profits of existing industry while blunting the incentive for new investment in east Germany. Producer prices have fallen by over a third since 1989, raising the real wage faced by producers by 180 per cent. Measured in dollars, wages in east Germany are at least three times higher than in other former communist economies, as the chart shows.

Little wonder that east German output continues to collapse. Manufacturing output in the eastern *Länder* was 3.6 per cent lower in August than a year ago, while capital goods production was 16.1 per cent lower. Official unemployment has risen to 14.6 per cent, while "real unemployment" – including people in job-creation schemes or re-training – is about a quarter of the potential workforce.

The pains and the gains in the east have been unevenly shared. Mr Alan Krueger and Mr Jörn-Steffen Pischke have examined the change in the structure of wages and unemployment since unification.*

Not surprisingly, they find there was less wage inequality in the East Germany before unification than in West Germany or the US. The top 10 per cent of wage earners earned 142 per cent of the median wage in East Germany in 1988, compared to the 173 per cent in West Germany and over 200 per cent in the US.

Since unification, wage inequality has grown. Between 1990 and 1991, the earnings of the top 10 per cent rose twice as fast as the average, raising the wages of the top 10 per cent to 160 per cent of the median wage. But a combination of union agreements and government unemployment subsidies has prevented the wages of low paid workers from falling relative to the average, as the upper chart shows.

Low wage workers have, in fact, had above-average wage growth, increasing the wage of the bottom 10 per cent from 68 per cent to 70 per cent of the median between 1988 and 1991, compared to 62 per cent in west Germany and 48 per cent in the US. This has meant a disproportionate squeeze on labour-intensive industries, with unemployment falling hardest on the low-skilled. The unemployment rate for university-educated east Germans was 6 per cent last year, compared to 33 per cent for people with a secondary education.

Lower unemployment requires a fall in both the relative and the real wages of unskilled workers. But the German government could reduce unemployment and maintain the living standards of low-paid workers by subsidising their employment rather than unemployment. A temporary wage subsidy would lower the cost of labour for industry in the east, speed privatisation and encourage new investment. The Berkeley economists' predictions were correct. So was their policy advice.

Edward Balls

* *A comparative analysis of East and West German labour markets: before and after unification; Working Paper 4154, National Bureau of Economic Research, 1050 Mass. Ave., Cambridge MA 02138, USA*

Kevlar* for protection against injury. Sontara* and Tyvek* for protection against infection.

Every operating theatre contains a hidden risk – bacteria. They can jeopardize the most careful surgical work. Despite high standards of hygiene, painful, sometimes potentially fatal, wound infections still occur in more than 5% of all operations performed today. This conclusion was reached on the basis of investigations carried out in the USA.
On the other hand, surgeons are also at risk if, for example, they accidentally injure themselves with a scalpel while operating on an HIV-positive patient.
In such cases the danger of infection is, naturally, high. Thanks to Du Pont's development work, however, we are now able to control these risks.

SONTARA increases hygienic standards.

SONTARA is a spunlaced fabric specially developed by Du Pont and consisting of a blend of polyester fibre and woodpulp. This fabric forms the basis for operating gowns and drapes available from manufacturers such as Mölnlycke and Baxter. Unlike conventional cotton operating gowns and drapes, SONTARA provides a considerably improved barrier against bacteria, a fact confirmed in a comparative test performed by Prof. Werner at the University Clinic of Mainz. Another advantage of SONTARA is that its special surface treatment is liquid-repellent. Consequently, surgeons and theatre staff are protected from germs transmitted through the blood. Moreover the use of SONTARA operating gowns and drapes means that 12 times fewer particles are released through linting than by conventional textiles. During surgery, such lint particles may act as a transmission medium for micro-organisms and result in infection. Non-wovens provide a higher standard of safety because they are less prone to damage during transit or washing which could put their sterility at risk. The use of SONTARA made it possible for instance, at the Duke University Medical Center in Durham, to reduce the post-operative infection rate from 6.51% to 2.83%. An increasing number of clinics in Europe are placing their trust in operating gowns and drapes made from SONTARA.

Sterile packaging made of TYVEK is tear- and puncture-resistant.

Tyvek for sterile packs.
TYVEK is a spunbonded material made *from microscopically fine, endless polyethylene fibres.* Its special properties make it ideal for sterile packaging: it is not only tear-and puncture-resistant, waterproof, lintfree and air permeable. Yet also an outstanding barrier to microbial penetration as demonstrated in a 5-year shelf-life test. Since the packs are heat-sealed, the high surface stability of TYVEK and specially formulated heat seal coatings assure a clean and easy opening.
At the same time TYVEK is perfectly suitable for gas or gamma-ray sterilization which always takes place after closure. TYVEK's structure prevents bacterial penetration but allows gases to enter easily and escape again quickly.
That is why leading manufacturers of medical equipment, Abbott, Baxter, Fresenius and Viggo-Spectramed, for example, use sterile TYVEK packs to protect their products.

Kevlar operating gloves protect surgeons.
For the same weight, the para-aramid fibre KEVLAR offers five times the tensile strength of steel, and is flexible and cut-*resistant. This fibre has enabled the most* amazing developments in a variety of fields. Now it is also in use for medical purposes. A special manufacturing process is able to produce seamless operating gloves from KEVLAR. They represent a significant safety factor in respect to pathogens, in that they help protect the surgeon from accidental cuts. Even a scalpel, if used normally, is unable to cut through them. The disposable gloves, packed in sterile conditions, are purpose-designed for surgical requirements. They are worn between two thin Latex gloves. Unlike other types, these KEVLAR surgical gloves offer an important advantage, because they are so soft and flexible they do not limit the surgeons's dexterity and skill. KEVLAR protective surgical gloves are already in widespread use in America. In addition to use by surgeons and their assistants, these gloves are also a valuable contribution towards the safety of dentists, accident and emergency personnel and to others in areas of risk.

Operating gloves made from KEVLAR reduce the risk of infection.

Innovations from Du Pont
SONTARA, TYVEK and KEVLAR are developments of Du Pont's Engineering Fiber Systems, as are NOMEX*, TEFLON*, TYPAR*, CORDURA*, ZEMDRAIN* and high tensile stength NYLON. These products never cease to create new potential in a variety of areas ranging from household applications to space travel. Du Pont is one of the leading research-oriented companies in the world; in Europe alone, it employs 21,000 people and has already invested DM 35 billion.

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DU PONT

Conservative Euro-sceptics to defy Major

By David Owen

SPLITS in the ruling Conservative party over closer European union deepened yesterday as a number of rebel MPs pledged to defy government attempts to win backing for its legislation to ratify the Maastricht treaty.

With 72 hours to go before the critical vote to decide whether the bill implementing the treaty should return to the Commons for further consideration, it appeared that up to 35 so-called Euro-sceptics were determined not to support Mr John Major in spite of intense lobbying by party managers.

If this hard core votes against the government on Wednesday, then the prime minister would be in severe danger of an ignominious defeat. If even a relatively small number were to opt to abstain, however, the government would probably scrape home.

The most heartening news for the rebels yesterday was a clear statement from Mr Bill Cash, the arch Euro-sceptic MP, that he will be "most emphatically voting against" the government motion on Wednesday.

"I cannot see a redeeming feature in the treaty," he said yesterday, adding that he would support the government in a vote of confidence if Wednesday's verdict went against it.

Another leading Tory rebel, Mr Iain Duncan Smith, was also on the point of deciding to vote against the government, saying that he would inform the party managers, known as whips, today.

"This is about the Maastricht treaty," he said of the meticulously crafted motion with which the government still hopes to bring enough potential rebels back on board. "Now is the time to vote against it. We will never get another chance."

The rebels, who fear a loss of political sovereignty and economic independence if European union goes ahead, have pledged to oppose the motion on Maastricht in spite of warnings from Tory loyalists that defeat on Wednesday would gravely damage the Prime Minister's authority at next month's Edinburgh summit.

Analysts warn of job cuts following energy review

By Neil Buckley

MORE than £2bn of investment in the UK North Sea and thousands of jobs could be jeopardised if the government tries to cancel contracts for gas-fired power stations or force generators to use more coal, a report warns today.

The latest North Sea Report from the County NatWest WoodMac's oil services consultancy, which includes analysis of the "dash for gas", highlights the government's limited room for manoeuvre in its forthcoming energy review.

Several gas developments rely on power generating contracts and might be cancelled if these contracts were unfulfilled, the report says.

The analysts say 16 gas-fired stations have secured contracts for gas supplies and obtained government consent. With generating capacity of 9,800 megawatts, these are likely play a significant part in UK electricity generation by 1995.

The government has said it may amend the law to force generators to use more coal. Prof Stephen Littlechild, the electricity industry regulator, is also investigating gas generation contracts to ensure power companies are buying the cheapest electricity.

Maastricht treaty wins support of businesses

By Michael Skapinker

MOST British companies believe adoption of the Maastricht treaty will be beneficial to their businesses, although few appear to understand precisely what is involved, according to a survey by Ernst & Young, the accountants and management consultants.

The survey of 131 companies found 56 per cent thought adoption of the treaty would benefit their companies. Thirteen per cent said it would be detrimental. A further 27 per cent said it would have no effect and 5 per cent had no opinion.

When asked what aspects of the treaty were important for their businesses, 27 per cent mentioned a single currency; 59 per cent said the notion of subsidiarity would be important to their businesses, 44 per cent mentioned a single currency and the social chapter, and 38 per cent the establishment of a European bank.

Mr Michael Gardiner, the Ernst & Young partner in charge of European issues, said the respondents' "support for Maastricht appears to be based on a positive attitude to Europe rather than an understanding of the detail".

The Institute of Directors has urged the government clarify what it sees as the uncertainty created by the treaty.

Mr Peter Morgan, the IoD's director general, said: "Since the ERM is in disarray, with many countries only hanging on by imposing capital controls, while Germany seems unlikely to give up the D-ark, what is the urgency for ratification?"

By contrast, the Confederation of British Industry, said failure to ratify the treaty would damage business confidence. Sir Michael Angus, CBI president, last week told the Conservative backbench European committee: "If the Maastricht treaty is not ratified, the UK runs the risk of losing the benefits of the single market and of being seen as a semi-detached member of the European Community."

Management survey uncovers 'widespread prejudice' among men

Old boy network remains barrier to career women

By Diane Summers, Labour Staff

THE OLD boys' network remains firmly entrenched as the single biggest obstacle to female advancement in the workplace, according to the most comprehensive UK survey of management attitudes to women.

Women rated the existence of "men's clubs" at work – which men operate behind the scenes to help each other gain the best jobs – as a far greater barrier to career development than lack of childcare provision or inflexible working hours.

A total of 43 per cent of women said they experienced the effects of male networks, compared with just 9 per cent who had suffered because of lack of childcare.

Researchers, who questioned nearly 1,500 women managers and 800 male colleagues, claim they uncovered "widespread prejudice among male managers against their women colleagues". They also found that the women who had battled against prejudice "appear to have done so at considerable personal cost". One third of the female managers were unmarried and only half had had children. This contrasted with 92 per cent of male managers who were married and 86 per cent who had had children.

CAREER BARRIERS ENCOUNTERED BY WOMEN (%)

"Mens' club" network	43
Prejudice of colleagues	35
Lack of career guidance	28
Sexual discrimination/ harassment	23
Lack of training provision	18
Lack of personal motivation/confidence	18
Family commitments	17
Inflexible working patterns	12
Social pressures (eg friends, parents)	12
Lack of adequate childcare	9
Insufficient education	7
No barriers	19
Other	9

Source: Institute of Management

Strong views about the role of female managers were expressed by many of the men surveyed. One commented: "With massive unemployment we don't need to encourage women into the workplace when they already have a role as a mother." Another said: "In general women do not make good managers – although they have much to offer in the workplace." According to a third: "Successful management requires commitment with no outside worries. For women to succeed they must therefore be single or have adult children."

The survey was conducted by the British Institute of Management, which relaunched itself yesterday as the Institute of Management. This follows amalgamation with the smaller Institution of Industrial Managers. BhS, the retail chain, which itself has an 85 per cent female workforce and a predominantly female customer base, sponsored the research.

Separate research by the institute has indicated that only about 3 per cent of senior managers are female and about 9 per cent of managers overall are women. Says the latest report: "The economic arguments for increasing those proportions should not need rehearsing. Women now make up almost half of the workforce and will account for 90 per cent of labour force growth over the next 10 years."

Mr Roger Young, Institute of Management director-general, said of the findings: "Men are the prime barrier to women in management. Despite some progress, old-fashioned sexist attitudes are still common and represent a real, not imagined barrier to the progress of women."

SIB to review disclosure rules

By Norma Cohen, Investments Correspondent

The Securities and Investments Board (SIB) has decided to review its controversial disclosure rules for the sale of life insurance products, in a move certain to anger the life insurance industry.

The move reflects widespread criticism from consumer groups and the SIB's expectation that the Office of Fair Trading (OFT) will reject key elements of the disclosure rules as anti-competitive.

The disclosure rules, announced last May after consultation with the industry and consumer groups, will not take effect until the OFT has determined that they sufficiently promote competition within the industry. In December 1990, the OFT determined that a previous set of disclosure rules did not meet that objective and asked the SIB to reconsider.

Mr Andrew Large, SIB chairman, has said to have privately expressed concern that the current rules still fail to protect the public adequately from high-pressure sales tactics.

In particular, the OFT is expected to challenge the SIB's decision not to require sales agents to disclose commissions to prospective customers.

The SIB will announce later today that it has retained Mr Tim Miller, formerly marketing director at M & G Group, the unit trust company, as a consultant. Mr Miller's role will be to examine whether current rules ensure the public is not sold "unsuitable" products.

Mr Miller, a long-time critic of life insurance sales tactics, resigned earlier this year from the board of Lautro, the self-regulatory body for the industry, over its support for the SIB disclosure regime. In particular, Mr Miller objected to allowing companies to show prospective customers industry-wide averages of costs, rather than showing their own projected costs. Mr Miller had argued that this made it difficult for consumers to choose between high and low-cost providers.

Britain in brief

Devaluation fails to lift orders in UK

The pound's devaluation has given only a slight boost to manufacturers, according to a survey published today from the Chartered Institute of Purchasing and Supply which says the outlook for the sector remains gloomy.

According to the institute's monthly poll of purchasing managers in manufacturing, new orders last month showed little increase on September, in spite of expectations that the fall in sterling would help competitiveness.

The institute's pessimistic tone is echoed in a broader assessment for the economy, published today by Oxford Economic Forecasting, a consultancy. This says prospects for growth have worsened in recent weeks and that another stage of recession may have started.

Accounts may be simplified

The Accounting Standards Board, the UK standards-setter for financial reporting, is to consider ways to make accounts more understandable to private investors.

Mr David Tweedie, chairman, said he was considering ways to introduce more narrative statements, explanations of terms and discussions of corporate performance which those without financial skills could use.

No reprimands by watchdog

No auditor to any of the companies reprimanded so far by the Financial Reporting Review Panel, the new UK watchdog on company accounts, is likely to be criticised by their professional regulatory body, it has emerged.

The investigations committee of the Institute of Chartered Accountants in England and Wales has decided to take no action against Pannell Kerr Foster, auditor to Williams Holdings, the first company criticised by the review panel.

While the review panel has a power to take action against companies, discipline of their auditors is left to the accountancy professional bodies. Any firms which provide unqualified audit reports are automatically referred when there is critical review panel finding.

Warning on training cuts

Managers in a survey published by the Industrial Society have given the government a strong warning not to cut publicly funded training programmes and initiatives.

Most managers according to the survey believed possible cuts in funding for Training and Enterprise Councils (Tecs), which administer publicly funded training, would damage training in general in the UK with nearly one quarter saying such a move would be "very damaging". It is understood that Mrs Gillian Shephard, the employment secretary, is still seeking to stave off cuts in her department's budget in the Public Expenditure Survey.

Britons prefer country life

Nearly one in three people would like to move out of urban Britain to the countryside, rejecting city life as dirty and stressful. Moreover, 17 per cent of those under 35 in the top socio-economic groups (ABC1) are planning to relocate to rural areas in the next five years.

The possibility of an internal migration into rural Britain is highlighted in a Mintel survey examining social and economic differences across the regional divides of the country. Greater London and the South East experienced a net loss of 83,000 people in 1989, while Wales, the South West and Scotland registered net gains of 41,000. Net losses of more than 500,000 people are forecast for Greater London and the South East by the turn of the century.

Companies are in a better position to exploit new opportunities if they take a broader view of where they are going, writes **Christopher Lorenz**

Into the great wide open

One of the most powerful maxims of modern management is that companies are best organised by splitting themselves not only into divisions or businesses, but also into smaller "strategic business units" focused on particular product markets.

The approach fosters efficiency, market responsiveness and managerial motivation, as a growing number of western companies has found over the past decade or more – though not all of them have chosen to use the American "strategic business unit" (SBU) terminology.

Yet there is also a groundswell of opinion that today's business units – and even much larger divisions – provide far too narrow a set of boundaries from which to make appropriate decisions about all tomorrow's competitive opportunities and threats, especially those in new industries.

Such opportunities and threats may either cross boundaries between divisions or business units, or may fall somewhere in between. As a result they may be fought over, confronted inadequately, or just ignored. A much broader corporate perspective needs to be taken if the company is to act appropriately – but without the sort of bureaucracy sometimes used in the past.

One way of trying to do this used to be to rely on senior "functional" executives at head office, such as chief technology officers. Even in its heyday, this was generally inadequate. In today's streamlined matrix structures, where divisions or businesses generally hold most power, such functional executives lack muscle. Their perspective is also usually too narrow – for instance, most technology officers lack market experience and insight.

Another favourite US practice in the early 1980s, at General Electric and elsewhere, was to overlay a laborious "sector" structure across the businesses and SBUs. GE then abandoned this, and has since relied instead on less formal cross-company co-ordination. But sceptics have questioned whether this has been really effective at putting GE in a position to exploit the industries of the future.

GE has not been alone in having too narrow a perspective on future industries. So, according to Dr Gary Hamel of the London Business School, does Digital Equipment, together with most large western companies – in stark contrast with many of their Japanese rivals.

On the other hand, Hamel argues that Kodak, Apple, Motorola and Hughes Aircraft are all looking beyond the boundaries of their current businesses in order to harness the "core competences" which underpin several of them.

Such competences include Apple's experience in software and "user-friendly" interfaces, and Kodak's skills in chemical photography and digital imaging. The latter have been combined successfully to produce several cross-business products, notably Kodak's "photo compact disc", which allows high-resolution video images to be stored, retrieved and altered.

Because of the sensitivity of all the strategic and organisational issues involved, a presentation by Hamel on "competing for industry futures" excited intense debate among the executives, academics and consultants at last month's annual conference of the international Strategic Management Society, held this year in London.

Hamel shares most academics' penchant for jargon, but his prescription is powerful all the same. Among other things, it calls for radical change in the sorts of strategic concepts and techniques which companies employ, and the way they use existing ones. His prescription is summarised below.

If companies want to "compete for industry futures", rather than just for shares of existing markets, they must recognise several new guiding principles, says Hamel. Doing so is much more important than any structural reorganisation which may also be necessary. The principles include the following:

- New industries are emerging out of all sorts of existing ones, and in the "white space" between them. Hamel cites nine examples, ranging from digital television to multimedia systems and applications, and from gene-engineered drugs and branch-less banking to intelligent vehicle and highway systems.
- Many new industries offer opportunities to rivals from a range of backgrounds. For instance, companies are coming at the emerging "digital industry" from consumer electronics, professional electronics, entertainment and publishing, professional systems, information technology services, software, and telecommunications.
- Competing for such "industry futures" is therefore of a different character from current competition for "market position". Instead of competition being between products, it is between companies. Instead of being for "stand-alone" opportunities, it is for systemic ones. (Hence Kodak's reconception of itself as an "imaging company", using both chemical and digital technology.) Instead of speed of execution being the key, perseverance is. And instead of competition being for cost and quality leadership, it is for intellectual leadership.
- The conventional assumptions and tools of industrial analysis "just don't apply" – the boundaries of each industry are unknown and unstable; it is hard to differentiate between customers, suppliers and competitors; and "strategy" is about positioning the company in new, not existing, "industry space".
- In this context of uncertainty, companies such as Apple, Kodak and Motorola – just like, for example, Sony and NEC in Japan – act as "nodes". That is, they have built core competences which will be valuable under a broad variety of industry outcomes; they feel they have more to gain from changing the rules of their industry than from abiding by them; they actively manage the process of transition into new industries; and they build networks of alliances which have a cumulative logic to them, rather than just a series of one-by-one relationships.
- Competition for industry futures takes place in three phases. The first, akin to preparing for a marathon, includes understanding potential patterns of evolution in core competences, in technical functionality, and in customer patterns. It also includes aligning corporate resources within a strategic framework (or "strategic architecture") that shows how various technological and other developments may fit together as the new industry emerges. NEC published such a framework as far back as 1977 for the integration of computers and communications – a process which is occurring only now.

The second phase is akin to the long, hard slog of the marathon proper. It involves competing for the acquisition of competences, and for product concepts and standards. It involves building alliances (or "coalitions") of companies which share the same view of the future; these coalitions then compete with each other for market learning.

The third phase, "like the final 100-metre sprint", involves competing for market share and profits around the world. Most western top management time is spent just on this phase, "yet nothing happens here unless someone has been busy on phases one and two, winding up the mainspring in the clock," says Hamel. Like IBM, companies can hold market leadership long after they have lost in phases one and two. But eventually the spring unwinds and leaves them floundering. Kodak, by contrast, has been investing in phase one, creating "stored energy" for the future.

- In deciding which core competences to build, companies should ask three questions. First, which competences will allow them to exploit discontinuous changes in industries – their own or those of others? Second, which core competences (such as flat screen displays) will provide "gateways" to future markets? And third, which core competences would provide influence over other industry players? Sony's near-monopoly of the skills of miniaturisation is an obvious example here.
- As a result of all the above, companies, when they are competing for the future, need to think very differently from usual about the meaning of that all-important goal, "market share". It can have at least six meanings: share of technology creation (where the west's share is high in most industries); share of core competence (where it is much lower in a growing number); share of "core platform" (such as Canon's stranglehold over laser printer "engines" for western companies); share of a format or standard (eg the Japanese VHS format for cassette recorders); share of end-product manufacturing; and finally, the usual definition of brand share.

If a company controls the manufacturing of "core platforms", says Hamel, it has ultimate control over the share of end-product. Hence the tendency in a number of industries for Japanese companies to focus on achieving a high share of both, leaving US and European companies clinging to the consolation prize of high brand shares – for the moment, anyway.

Strategy has been seen traditionally in the west as a positioning game within existing businesses, rather than as the creation of new ones, Hamel told the Strategic Management Society conference. "Everybody in Europe worries today about market share in the car business, or in semiconductors. Yet the question for the rest of the decade and beyond is 'what is your share of new business creation?' Chief executives and their teams need to make a far greater intellectual investment in thinking about the future than most of them are."

The proud cleaners of Europe

Peter Owen, a private school headmaster, last week asked us to imagine a future Europe in which uneducated young Britons were the waiters, porters, cleaners and lavatory attendants.

Owen, headmaster of Rushmoor School, Bedford, and chairman of the Independent Schools Association, is an optimist.

There are few signs so far of continental European cities using the British to do their cleaning. The traffic has been the other way. Onyx, a French company, has won 5 per cent of the UK's refuse collection and street-cleaning contracts.

As for waiters, a survey published last week by the British Tourist Authority shows that only a third of UK tourist businesses are fully able to serve foreign visitors in their own languages, with restaurants prominent among the monoglots.

The headlines do not do full justice to Owen's speech to the schools association's conference in Rouen, France. It is a wide-ranging, common-sense look at Britain's failure to give its children the skills they need.

But while pleading for an escape from some traditional British attitudes, he appears imprisoned by at least two others. The first is that there is something demeaning about bringing people their food, cleaning up after them or carrying their luggage to their rooms. The second is that these are jobs for the uneducated.

In some continental countries, waiting on tables is seen as a job for professionals. Waiters and porters are expected to speak languages other than their own. Street-cleaning is an increasingly mechanised and sophisticated business.

The waiters, porters and cleaners of the future will be those able to benefit from Owen's dream of a better-educated Britain. Our worry about the rest is that they will make their livings from burglary, car theft and dope dealing, rather than the honourable occupations Owen apparently contemplates with such horror.

Michael Skapinker

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THE WEEK AHEAD

ECONOMICS

Focus on the US election

THE BIG event this week is the US presidential election tomorrow. Whoever wins will inherit a fragile economy as a number of indicators this week are likely to confirm.

October's non-farm payrolls should be relatively free of the temporary distortions that have affected the data since June, including the temporary Federal jobs programme designed to create 300,000 jobs. The forecast is that 25,000 jobs were created in October, mainly in the service sector.

This is "minute by comparison with typical emerging recoveries," say economists at Greenwell Montagu.

This is also an important week for Germany where the economy looks to be heading for a recession. Business confidence has fallen sharply while consumer confidence is at an all-time low. After a surprisingly big bounce back in industrial production in August, data for October is expected to confirm the picture of a declining economy.

Sluggish activity will also be reflected in the employment figures. Many economists believe short-time working is being converted increasingly into full unemployment. This will have been exacerbated by the squeeze on export sales resulting from a strong D-Mark. In August west German unemployment rose by

US employment

Source: Datastream

20,000. A repeat performance is expected for September.

Other economic highlights follow. The medians of economists' forecasts, from MMS International, a financial information company, appear in brackets.

Today: US, October NAPM index (49.8 per cent), September construction spending (up 0.5 per cent); Canada, August leading indicators (up 0.1 per cent); Japan, October forex reserves, trade balance first 20 days October. cent).

Tomorrow: US, presidential and congressional elections, Treasury announced quarterly refunding package, September leading indicators (down 0.1 per cent), Q3 productivity, Johnson Redbook October 31; UK, October official reserves (down $2bn);

Wednesday: UK, Maastricht debate in parliament; US, Federal Reserve releases Tan book for November 17 FOMC meeting, September factory orders (flat), September factory shipments, car sales October 21-31 (6.3m); Canada, October foreign reserves, October Help Wanted index (64); Japan, September current account, September trade balance.

Thursday: US, initial claims week ended October 24 (380,000), state benefits week ended October 17, money supply data for week ended October 26.

Friday: US, October non-farm payrolls (up 25,000), supplementary summer youth programme (down 40,000), October manufacturing payrolls (down 5,000), October average workingweek, October civilian unemployment rate (7.6 per cent); Canada, October employment growth (up 0.1 per cent), October unemployment rate (11.4 per cent).

During the week: Germany, September industrial production (down 0.8 per cent), September manufacturing output (down 0.8 per cent), September manufacturing orders (down 0.6 per cent), September trade balance (DM3.5bn surplus), September current account (DM2.8bn deficit).

Emma Tucker

RESULTS DUE

J. Sainsbury, which earlier this year wrested the crown from Marks and Spencer as the UK's most profitable retailer, is likely to present an encouraging set of numbers when it reports its interim results on Wednesday.

Analysts suggest that Sainsbury's will be able to stretch its profits by about 16 per cent to £380m even though the food retailing market has proved to be somewhat sticky of late.

Added interest will stem from the fact that this set of results will be the first to be presented by Mr David Sainsbury, who will have succeeded his cousin, Lord Sainsbury, as chairman earlier in the week.

Associated British Foods, reporting its preliminary full-year results today, will highlight again the value of its purchase of British Sugar. With milling and baking profits under great pressure despite ABF's 30 per cent share of the bread market, sugar will have contributed about half of the group's profits. Despite that profits are likely to be down sharply from £332m the year before to around £290-£300m.

British Petroleum, the UK oil group, announces its third-quarter results on Thursday. Although its shares have outperformed the UK market since their fall following the halving of the dividend in August, analysts say it is too early for any of the strategy changes and cost-cutting measures announced then by BP to be reflected in the results.

Forecasts for net income on a replacement cost basis range from £100m to £170m, but most are between £100m and £120m, little changed from £107m before the £1bn of exceptional items in the second quarter of this year or, from £129m in the third quarter of last year.

Unilever will continue its stately progress on Friday. Third quarter profits are likely to be around £580m (£525m) for a nine-months total of £1.48bn (£1.39bn), despite adverse currency translation.

Wm Low, reporting full-year results on Thursday, is one supermarket chain which has lost its way. After the Scottish group warned a few months ago that its operating margins were "below expectations", analysts cut their forecast. They are now looking for about £20m pre-tax against £23.6m a year earlier.

UK COMPANIES

■ **TODAY**

COMPANY MEETINGS:
Property Trust, The Dorchester, Park Lane, W., 10.00.
BOARD MEETINGS:
Final:
Stainless Metalcraft
Interims:
Holmes Protection
Tie Rack

■ **TOMORROW**

COMPANY MEETINGS:
Birkby, Spring Grove Mills, Linthwaite, Huddersfield, W.Yorks, 10.30.
Courtyard Leisure, Benjamin Stillingfleet, 46-50 Essex Street, WC., 4.30.
Surrey Group, New Connaught Rooms, Great Queen Street, WC., 11.00.
Trafford Park Estates, United Trading Estate, United Road, Old Trafford, Manchester, 1.15.
BOARD MEETINGS:
Finals:
China & Eastern Inv.
Cooper (Frederick)
Fleming Japanese Inv
Keystone Inv.
Scottish Metrop. Prop.
Scottish National Tst.
TIP Europe
Interims:
German Smaller Co's Inv
Powerscreen Intl.

■ **WEDNESDAY NOVEMBER 4**

COMPANY MEETINGS:
Bryant Group, Cranmore House, Cranmore Boulevard, Solihull, W.Midlands, 12.00.
Lloyd Thompson Group, Beaufort House, 15 St. Botolph Street, EC., 11.00.
BOARD MEETING:
Interim:
Sainsbury (J.)

■ **THURSDAY NOVEMBER 5**

COMPANY MEETINGS:
Community Hospitals, The Brewery, Chiswell Street, EC., 12.00.
Gabicci, Gabicci House, Humber Road, NW., 4.00.
Scholes Group, Old Rectory, Station Road, Wilmslow, Cheshire, 12.00.
Sunset & Vine, 30 Sackville Street, W., 11.00.
Wills Group, 107 Cannon Street, EC., 9.30.
BOARD MEETINGS:
Finals:
Low (William)
MMT Computing
Smart (J.)
Interims:
Anglo American Coal
Blackland Oil
Burtonwood Brewery
Westbury
Whitbread Inv.

■ **FRIDAY NOVEMBER 6**

COMPANY MEETINGS:
Fortnum & Mason, 181 Piccadilly, W., 10.00
Ricardo Intl., The Royal Aeronautical Society, Hamilton Place, W., 12.00.
Walker (Thomas), The Midland Hotel, New Street, Birmingham, 12.00.
BOARD MEETINGS:
Final:
Brit. Empire Sec. & Gen.
Interim:
Prowting

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**

Allied Irish Banks Non-Cm Pf. $0.890625
American Tel. & Tel. $0.33
Ameritech $0.88
Anglo American Indl. 5.625% Cm. 1st Pf. R0.05625
APV 3.15% Cm. Pf. 1.575p
Do. 4.55% Cm. Pf. 2.275p
Do. 5.25% Cm.Pf. 2.625p
Arcolectric 0.555p
Do. A Non-Vtg. 0.555p
Baynes (Charles) 0.525p
Beattie (James) A 1.4p
Bell Atlantic $0.65
BellSouth $0.69
Brixton Estate 3p
CrestaCare 0.1p
Dunedin Worldwide Inv. Tst. 3.6% Cm. Pf. £1.75
Edinburgh Inv Tst 7½% Db £3.75
Enterprise Oil 6.5p
Filofax 0.5p
Fletcher Challenge NZ$0.07
Foreign & Col Pacific Inv 0.75p
Global Stock Invs. Ptg. Pf. (Dollar Cash) $0.12
Do. (Euro. Bond) DM0.30
Do. (Euro. Equity) DM 0.35
Do. (Far East Equity) $0.26
Do. (Global Bonds) $0.22
Do. (Global Equity) $0.20
Do. (Government Bond) $0.75
Do. (Japanese Small Companies Portfolio) Y7
Do. (Sterling Cash) 11p
Do. (UK Equity Portfolio) 18p
Do. (UK High Income) 11.5p
Do. (UK Smaller Companies Portfolio) $0.10
Guinness 3.35p
Haden MacLellan 1p
Halifax Bldg. Society Fltg. Rate Nts. 1997 £524.95
Hepworth 5.5p
Herring Baker Harris 3.25p
Hewitt 1.25p
King & Shaxson 5% Cm. Pf. 1.75p
Do. 5% Cm. 2nd Pf. 1.75p
Kwik-Fit 1.35p
Lamont 6% Cm. Pf. 1.05p
Do. 5.6% 2nd Pf. 2.8p
Do. 10% 3rd Cm. Pf. 5p
Lasmo Units 5.1223p
Morrison(Wm) Suprmkts 0.16p
National Home Loans Secd. Fltg. Rate Nts. 1995 $2.82
Ocean 4.71p
Olives Property 1.5p
Pacific Telesis $0.545
Pentland 1.04p
Ransomes 8.25p Cm. Cv. Pf. 4.125p
Rathbone Bros. 1.5p
Sanderson Murray Elder 0.6p
Sema 1.1p
Shell Transport & Trdg 9.3p
Singer & Friedlander 1p
Southwestern Bell $0.73
Travis Perkins 2.5p
US West $0.53

■ **TOMORROW**

Graseby 3.3p
Great Southern 3.6p
Mersey Docks & Harbour 2.54p
Plasmec 1.5p
Sherwood Computer Svs 1.75p
UK 15¼% Treasury Ln. 1996 £7.625

■ **WEDNESDAY NOV 4**

Aegis ADR $0.072
Assoc. Brit. Ports 3.25p
Bowater 9.7p
Camellia 12p
Christies Intl. 0.5p
De Beers Con. Mines Linked Units $0.15
Debenhams 7¼% 2nd Deb 1991/96 £3.625
EW FACT 1.6p
Fairhaven Intl. $0.002
GKN 8p
G.T. Japan Inv. Tst. 1p
Lionheart 0.2p
Local Authority Short-Dated Bds. 10⅜% £5.3296
New Zealand 11¼% 2008 £281.25
P & O Defd. 13.5p
Vickers 0.5p

■ **THURSDAY NOV 5**

Albany Inv. Tst. 1.25p
Asda Property 0.65p
Credit Natl. 13½% Gtd. Nts. 1993 £67.50
Eksportfinans 7¾% Nts. 1997 C$77.50
Gowrings 1p
Highcroft Inv. Tst. 1.8p
Intrum Justitia 1p
Logica 2.5p
Provident Fincl. 9.25p
Schroders 6p
Do. Non-Vtg. 6p
Steel Burrill Jones 4.25p

■ **FRIDAY NOV 6**

Appleyard 2.6p
ASW 3p
Bentalls 0.6p
Brixton Estate 7¾% 1st Mort. Deb. 1987/92 £3.875
Cadbury Schweppes 8¼% Uns. Ln. 1994/2004 £4.125
Cons. Plantations M$0.09
Courtaulds 4.2% Cm. Rd. 2nd Pf. 2.1p
Do. 6½% Uns. Ln. 1994/96 £3.25
Do. 7¼% Uns. Ln. 1994/96 £3.625
Dawsongroup 0.75p
Delta 10¾% Deb. 1995/99 £5.375
Edinburgh Fund Managers 7½% Deb. 1995 5p
Headlam 0.75p
Headway 0.7p
Intl. Inv. Tst. Co. of Jersey 8p
I & S Optimum Inc Tst 1.85p
Lambert Howarth 4.25p
Lincat 3.3p
New Klein Props. R0.46
PCT 2.5p
Pelon 1p
River & Merc. American Cap. & Inc. Tst. 1.8p
Royal Insurance 2p
Servomex 1.9p
Transport Dev. 3p
Vardon 0.25p
Walker (Thomas) 0.4p
Wassall 0.8p
Whitbread 7¼% Uns. Ln. 1995/99 £3.625
Wills 0.1p
Wilson Bowden 2.5p

■ **SATURDAY NOV 7**

BBA 10% Deb. 1989/94 £5
Bristol & West Bldg. Society 13⅜% PIBS £66.875
British Petroleum 2.1p
Do. ADR (rep. 12 Ord.) $0.0842
Do. ADS (rep. 12 Ord.) $0.0842
Cornwell Parker 4p
Do. A Non-Vtg. 4p
UK 9¾% Conversion 2003 £4.875

■ **SUNDAY NOV 8**

Nottingham Corp. Gas Annuities £1.825

PARLIAMENTARY DIARY

■ **TODAY**

Commons: Questions to Social Security ministers and the Chancellor of the Duchy of Lancaster.
Asylum and Immigration Appeals Bill, second reading.

Lords: European Economic Area Bill, second reading.
Debate on community legal services.

■ **TOMORROW**

Commons: Employment questions.
3.15 pm Questions to the Prime Minister.
Housing and Urban Development Bill, second reading.

Lords: Criminal Justice Bill, second reading.
Debate on EC reports on control of national treasures.

■ **WEDNESDAY**

Commons: Trade and Industry questions.
Debate on substantive motion paving way for return of Maastricht ratification Bill.

Lords: Debate opened by Liberal Democrats on need for economic recovery.
Civil Rights (Disabled Persons) Bill, third reading.
Dog Control and Welfare Bill, committee.

■ **THURSDAY**

Commons: Agriculture questions.
3.15 pm Questions to the Prime Minister.
Civil Service (Management Functions) Bill, second reading.
Boundary Commissions Bill, third reading.

Lords: Foreign Compensation (Amendment) Bill, second reading.
Debate on phasing out driftnet fishing for salmon and sea trout off the North East.

■ **FRIDAY**

Commons: Debate on the Bingham Report on the Bank of Credit and Commerce International affair.
Lords: Not sitting.

CONFERENCES & EXHIBITIONS

NOVEMBER 4–6
Compsec International 1992 Ninth World Conference on Computer Security, Audit and Control
Over 60 presentations covering EDP Audit, Network/Open Systems Security, Risk Assessment, Financial Systems Security, Technical Issues, Quality/Integrity Issues, Infosec, Computer Law. Kay Russell, Elsevier Advanced Technology.
Tel: 0865 512242. Fax: 0865 310981.
LONDON

NOVEMBER 5 (pm)
Directors' Briefing on Computer Security
A separate half day session within the Compsec International 1992 conference providing an overview of computer security for senior management for only £95. Kay Russell, Elsevier Advanced Technology.
Tel: 0865 512242.
Fax: 0865 310981.
LONDON

NOVEMBER 5
Changing Business Frontiers in the Asia-Pacific Region
Convened by the Royal Institute of International Affairs, The Strategic Planning Society and The China Britain Trade Group.
To be held at Chatham House, London.
Enquiries SPS Conferences.
Tel: 071 636 7737; Fax: 071 323 1692.
LONDON

NOVEMBER 5
Multi-speed Europe?
Hosted by Salomon Brothers International. What are the implications of leaving the ERM? Will EC core members decide on a fast track route to EMU? Speakers: M Raymond Barre, Sir Michael Butler, Lord Mayors of London and Luxembourg, Banca d'Italia, Bank of England and leading MPs.
Contact: Federal Trust.
Tel: 071 259 9990. Fax: 071 259 9505.
LONDON

NOVEMBER 9
Business Performance Measurement
Explores in depth the issues involved in developing and introducing new performance measurement frameworks, based on a broader set of 'upstream' management indicators, such as quality, marketplace performance and customer satisfaction.
Contact: Business Intelligence.
Tel: 081 544 1830. Fax: 081 544 9020.
LONDON

NOVEMBER 9 & 10
World Electricity
Speakers will examine the changing role of the electricity industry and review how the utilities are responding to the joint challenges of providing a public service and running a commercial operation.
Enquiries: Financial Times.
Tel: 071-251 9321.
Fax: 071-251 4686.
LONDON

NOVEMBER 10
The 1992 AMEX Bank Review Prize Winners' Forum
Convened by the Royal Institute of International Affairs and The AMEX Bank Review.
To be held at Chatham House, London.
Enquiries RIIA Conferences.
Tel: 071 957 5700.
Fax: 071 957 5710.
LONDON

NOVEMBER 16
Profitable Supervision
CBI/ASTRA TRAINING SERVICES conference, uses latest research and examples of best practice to consider how organisations make the most effective use of employees in supervisory positions.
Contact: Sandra Aldred, CBI Conferences.
Tel: 071 379 7400.
LONDON

NOVEMBER 16–17
1st International Corporate Banking Conference "Rebuilding a Core Business"
The corporate banking sector is under unprecedented scrutiny. Strategies and approaches which were fashionable are now being overturned. Hear how industry experts view the future.
Contact: Anne McGlynn, Lafferty Conferences. Tel: (+353-1) 718022.
Fax: (+353-1) 713594.
LONDON

NOVEMBER 17
The Employment Bill 1992
CBI conference examines the requirements and practical implications of the new legislation and the likely effects on relationships between employers, trade unions, employees and the public.
Contact: Karen Trevitt, CBI Conferences.
Tel: 071 379 7400.
LONDON

NOVEMBER 18
Whither Corporate Governance?
Joint conference of The Strategic Planning Society and Henley Management College. London Hilton Hotel. Current thinking in the U.K., the U.S.A. and on the Continent, and proposals for reform. Chairman Sir Adrian Cadbury.
Details from Mrs Joanne Maines, The Strategic Planning Society.
Tel: 071-636-7737.
LONDON

NOVEMBER 18 & 19
Introduction to Options Course – Parts 1 & 2
Day 1: Basic Terminology, Option Pricing, Trading & Hedging Strategies; Day 2: Volatility, Advanced Trading Strategies, Portfolio Management. Venue: Cambridge Science Park, Cambridge. £345 (1 day only), £595 (both days). Contact: Gillian Beckett, Brady Financial Seminars. Tel: 0223 423250.
CAMBRIDGE

NOVEMBER 19
Developments in Aircraft Fuelling
Conference topics to be covered by an international group of speakers will be Developments in Fuelling Equipment, and Aircraft Fuelling Systems; Extended Apron Services and Hydrant System Integrity Monitoring. Contact: Caroline Little, Institute of Petroleum.
Tel: 071 636 1004. Fax: 071 255 1472.
LONDON

NOVEMBER 23 & 24
How to Buy and Sell Unquoted Companies
This course addresses the practical realities of buying and selling a company and how to minimise the risks involved. Participative case study sessions will be interspersed with presentations from leading practitioners.
Contact: Acquisitions Monthly.
Tel: 071 823 8740. Fax: 071 581 4331.
LONDON

NOVEMBER 26
A Director's Guide to Profitable IT Strategy
Senior Executives are reporting growing concerns about the amount spent on IT and the increasing difficulty of justifying the expense in terms of the bottom line. The seminar will examine how the benefits of IT can be assessed and maximised in line with your organisation's objectives. Contact: Fiona Rogers, ITnet.
Tel: 021 459 1155. Fax: 021 459 2199.
LONDON

NOVEMBER 26
Investment India '92
Distinguished panel of experts comprising lawyers; accountants; tax specialists; academics; and politicians, will analyse the sweeping reforms, and what they mean to overseas investors. Speakers from: Arthur Andersen, Maisons Solicitors; Linklater & Paines; SOAS; and the Indian High Commission. Early booking discounts. Official Conferences: Tel: 081 459 7202/451 3188. Fax: 081 459 7201.
LONDON

NOVEMBER 26–27
1992 Financial Industry Crime Conference "The Risk of Criminal Liability"
An exploration of the risks of criminal liability for auditors, bankers, compliance officers, corporate financiers, insurers, lawyers and stockbrokers. Top speakers, practical solutions. Topics: Advisers, Liability; Money Laundering; Securities-related crime. Contact: Anna Pearson, Lafferty Conferences London.
Tel: (071) 7820590. Fax: (071) 7820596.
LONDON

NOVEMBER 26–27
Know Your Competitors
Competitor Intelligence & Analysis
A practical two day seminar/workshop from the UK's No 1 specialists. Practical case exercises, successful case studies. Guest speaker who is head of a major company's intelligence unit.
Contact: Patricia Donnard, EMP Intelligence Service. Tel: 071-487-5665.
Fax: 071-935-1640.
LONDON

DECEMBER 1
Business in the Future Europe
Part of Advent for Europe, a British Presidency event, the conference will examine: the impact on Business, political, regional, East Europe and Northern arc topics. Contributors include: Wilhelm Nolling, Gerhard Stoltenberg, Patrick Sheehy and Neil Kinnock.
Details from: Mr Marc Lee.
Tel: 0225 466744. Fax: 0225 422903.
LONDON

DECEMBER 1
Developing A Business-Driven I.T. Strategy
This one day conference show how the effective management of the process of strategic planning and implementation can lead to the successful use of I.T. to support business objectives.
Contact: Business Intelligence.
Tel: 081-544 1830.
Fax: 081-544 9020.
LONDON

DECEMBER 2
Natural Resources and the Environment
A high profile conference bringing together a distinguished panel of industry leaders to share their views on the long term prospects for their respective natural resource sectors in the face of increasingly complex and stringent environmental standards. Contact: Moira McKinlay.
Tel: 0382 307299.
LONDON

DECEMBER 2–4
Venture Forum Europe '92
Forum sessions will focus on performance measurement, investor relations, direct investments by institutions, exit strategies and succession problems in European owner-managed businesses.
Enquiries: Financial Times.
Tel: 071-251 9321.
Fax: 071-251 4686.
LONDON

DECEMBER 3
How Secure Is Your Job?
Whether negotiating their own employment contracts or drafting those of their employees, directors should be wary. This Institute of Directors seminar is divided into two independent sessions highlighting vital factors in both areas.
Enquiries: Director Conferences.
Tel: 071 730 0022
LONDON

DECEMBER 3–4
The Future of the Defence Company: Adjusting to Change
2-day course: Centre for Defence Economics, University of York. Practical approaches to solving business problems facing decision-makers in defence companies in the 1990s and beyond. Topics: economic implications, strategic responses, market analysis, competitors, product innovation, planning. Enquiries: Barbara Butler. Tel: 0904 433684.
Fax: 0904 432300.
YORK

DECEMBER 7 & 8
The 7th International Energy Conference – World Energy Demand: Is Growth Inevitable?
Convened by The Royal Institute of International Affairs, The British Institute of Energy Economics and The International Association of Energy Economics. To be held at Chatham House, London.
Enquiries: RIIA Conferences.
Tel: 071 957 5700. Fax: 071 957 5710.
LONDON

DECEMBER 8–9
Open Systems and Interoperability: Information Systems for Enterprise-Wide Computing
Conference at US Embassy. Speakers include NASA, X/Open, EurOSInet, Unix International, CCTA, Logica, Bull, IBM, ICL, Motorola, Olivetti, Digital, Lotus, focusing on business and organisational implications. Contact: Unicom.
Tel: 0895 256484. Fax: 0895 813095.
LONDON

DECEMBER 8 & 9
The Petrochemical Industry
This year's conference will focus on restructuring and rationalisation, consider the challenge of making operations more competitive and discuss the role of mergers, acquisitions and strategic alliances. Enquiries: Financial Times.
Tel: 071-251 9321.
Fax: 071-251 4686.
LONDON

DECEMBER 10 & 11
AVMARK's Seventh Annual Conference on European Aviation:
"Strategic Choices and Financial Options in the Liberalised Market"
Third Package practical implications; the Euro-charters; repercussions of deregulated competition in the North Atlantic; and financial conditions. To be held at the Hyde Park Hotel.
Contact: Emma McCrow, Avmark.
Tel: 071 821 6788. Fax: 071 834 4372.
LONDON

DECEMBER 14
CBI Annual Pensions Conference
In association with Clay & Partners, this conference will consider the future of occupational pension schemes. The Secretary of State for Social Security will outline the Governments perspective and key decision makers and advisors will discuss the issues. Contact: Nicki Cas, CBI Conferences. Tel: 071 379 7400.
LONDON

DECEMBER 14 & 15
World Pulp & Paper
Arranged by the FT in association with the Confederation of European Paper Industries, international industry leaders will discuss long-term prospects for the industry and assess how corporate strategies are changing in a more complex and competitive environment. Enquiries: Financial Times. Tel: 071-251 9321.
Fax: 071-251 4686.
LONDON

INTERNATIONAL

NOVEMBER 11 & 12
Doing Business with Russia
A practical high-level forum to discuss the investment opportunities in the new Russia, how to address them, business problems of structuring deals, legal, tax and financial issues.
Enquiries: Financial Times.
Tel: 071-251 9321. Fax: 071-251 4686.
MOSCOW

NOVEMBER 17–19
Economic Transition of Eastern Europe, Former Soviet Republics: Business Outlook
PlanEcon, DRI/McGraw-Hill, ENI conference on privatization, trade, and reform. Investment roundtable, industry-specific panels and half-day energy symposium.
Contact Corinne Redonnet on 081 545 6212.
ROME

NOVEMBER 23 – 25
2nd CEPT Radio Conference
Organised by the European Radiocommunications Office. The Spectrum Demand Exceeds The Supply – Harmonised Frequency Management in Europe. Enquiries: ERO, Holsteinsgade 63, DK-2100 Copenhagen O, Denmark.
Tel: (45) 35432442.
Fax: (45) 35433514.
COPENHAGEN

DECEMBER 8–9
Competitive Intelligence
Strategies. Objectives. Organisation. Techniques. Benchmarking. Analysis. Seminar presented by Kirk Tyson, author of "Competitor Intelligence Manual & Guide". For managers and analysts with business development, planning, and information responsibilities.
Contact IIB SA, Geneva.
Tel: (41) 22 362 7767.
Fax: (41) 22 362 7792.
CZECHOSLOVAKIA

FEBRUARY 12–13
EC and India— New Trading and Investment Opportunities
Key issues for multinationals, lawyers, bankers and financial institutions on practical aspects and legal problems of trade between India and EC. Social events allow maximum opportunity for discussion. Contact: Sarah Avian, IBC.
Tel: +44 71 637 4383.
Fax: +44 71 631 3214.
NEW DELHI

EXHIBITIONS

OCTOBER 31 – NOVEMBER 8
Do not miss THE DAILY MAIL INTERNATIONAL SKI SHOW at Earls Court, London, Saturday 31st October – Sunday 8th November 1992 between 10.00 am and 7.00 pm on Saturday and Sunday and 12 noon and 10.00 pm Monday – Friday. Price £6.00 adults and £3.00 children.
LONDON

LEGAL NOTICES

Notice of Appointment of Joint Administrative Receivers
ROCK SERVICES (MIDLANDS) LIMITED
Registered number: 939157. Nature of business: General Construction. Trade classification: 23. Date of appointment of joint administrative receivers: 23 October 1992. Name of person appointing the joint administrative receivers: Barclays Bank plc. John Frederick Powell and David Robert Wilton, Joint Administrative Receivers (Office holder nos 2695 and 5708) Cork Gully, 43 Temple Row, Birmingham B2 5JT

Notice of appointment of Administrative Receiver
Cyclehead Limited
Registered number: 2398822. Nature of business: Retail outlets specialising in bicycles, accessories and repairs. Trade classification: 22. Date of appointment of administrative receiver(s): 22 October 1992. Name of person appointing the administrative receivers: National Westminster Bank Plc. N J Vought and C J Hughes, Joint Administrative Receivers (office holder nos 6339 and 2041) Cork Gully: Melrose House, 42 Dingwall Road, Croydon, Surrey CR0 2NE

RE: SIMONE MARIE HUGHES DECEASED
PURSUANT TO THE TRUSTEE ACT 1925
Notice is hereby given that any person having a claim against or interest in the Estate of SIMONE MARIE HUGHES late of 15B Cyncoed Avenue, Ely, Cardiff, in the County of South Glamorgan who died on the 9th day of March 1992 and Letters of Administration to whose Estate were granted by the Probate Registry of Wales on the 27 day of October 1992 to Julie Hughes the Administratrix of the said Estate is hereby required to send particulars in writing of his/her claim or interest to the undersigned, the Solicitor for the said Administratrix on or before the 27 day of April 1993 after which date the Administratrix will proceed to distribute the assets of the Deceased amongst the persons entitled thereto having regard only to the claims and interests of which she shall then have had notice.
Dated this 28th day of October 1992
Miss Gail Williams, Robertsons, Solicitors,
6 Park Place, Cardiff, South Glamorgan CF1 3DP
Solicitor for the said Administratrix

BUILDING CONTRACTS

Completing Brighton bypass

TAYLOR WOODROW CIVIL ENGINEERING has started work on the final stage of the A27 Brighton and Hove bypass.

The £19.5m contract covers the 4.3km section between Hangleton in East Sussex and Kingston, West Sussex.

A substantial part of the 30-month project involves a 490 metre twin-bored tunnel beneath Southwick Hill. The contract also requires construction of an interchange to link the dual two-lane carriageway with the Shoreham bypass at Kingston. Roadworks leading to the complex will be linked with access routes to the bypass.

To carry out the tunnelling work as rapidly and cost-effectively as possible, Taylor Woodrow Civil Engineering will be using the New Austrian Tunnelling Method, which relies on quick-setting sprayed concrete instead of precast concrete or iron segments for initial ground support.

Work will go on underground round the clock in order to complete the twin bores by next summer, when the tunnel will be used to transfer up to 400,000 cu metres of excavated chalk from the eastern side of the road job to the western side for landfill purposes before winter sets in, reducing disruption to local traffic.

Relocating offices

MORGAN LOVELL, the office accommodation specialist, has won contracts worth in excess of £9m for office relocation and refurbishment.

They include a contract for Waste Management to handle its space planning, design and project management for the company's relocation to Hammermith and Ticketmaster's new London headquarters in the West End.

Spanish airport expansion

A project management contract has been awarded to the P&O Group company BOVIS INTERNACIONAL DE ESPANA for a £100m extension programme at Spain's Palma de Mallorca Airport.

The 36-month first phase includes the construction of a 200,000 sq metre terminal building, 40,000 sq metres of aircraft concourse and boarding gates, together with associated car parking, access routes and landscaping.

Palma de Mallorca is Spain's second busiest airport and the expansion programme is needed to cope with the rapid increase in both international and domestic traffic anticipated over the next decade and beyond.

Engineered by the Spanish company Initec, the new terminal building will be six storeys high. The ground floor will accommodate the airrivals hall, arrivals concourse and baggage handling areas, together with parking for 154 coaches, 56 micro buses, taxis and private cars.

Level 2 is intended primarily for services and baggage handling. The departures concourse is to be located on level 3, together with the check-in area. At this level there will also be parking for 40 coaches, as well as parking for taxis and private cars.

The departures lounge and restaurant facilities will be located on level 4, together with extensive retail and duty free shops. Levels 5 and 6 will be used for office accommodation and services.

The boarding gates and two existing terminal buildings will be reached from the new terminal by way of high level access "fingers".

£100m motorway developments

Construction giant TARMAC has been given a £100m boost by the Department of Transport with a clutch of key motorway contracts.

The two largest contracts - worth almost £80m - call for the widening of busy stretches of the M6 in Cheshire and London's M25. The £52.5m contract on the M6 includes the construction of a viaduct - almost a mile in length - alongside the Thelwall Viaduct, crossing the Manchester Ship Canal and the River Mersey.

Six miles of the M6 will be widened from three to four lanes on the approaches to the viaduct between the M56 and M62 interchanges. Nine bridges will also be built over or under the motorway and a bridge over a railway line will be widened. Work begins later this year and the project will take 3½ years to complete.

One of Europe's most congested stretches of road - the five miles of the M25 between the M4 and M40 junctions close to Heathrow airport - is to be widened from three to four lanes. Work on the £24.5m contract will start early next year and it is expected to take about 12 months to complete.

Widening will be kept within the existing M25 boundaries by converting the hard shoulders to traffic lanes and building new hard shoulders.

Tarmac has also clinched a £2.5m contract for repairs and maintenance on the M3 motorway between junctions 4 and 5 near Fleet in Hampshire.

£60m sewerage treatment scheme

The tunnelling company of TRAFALGAR HOUSE CONSTRUCTION has been awarded a subcontract to design and construct an undersea tunnel to carry an outfall for South West Water's Penzance and St Ives sewerage and sewage treatment scheme, phase 1, which is worth about £60m.

The 2.6km rock tunnel will run from Gwithian on Cornwall's north coast to outside St Ives bay. The tunnelling contract also includes the installation of four diffusers at the seaward end of the tunnel.

Treated waste water will reach the tunnel outfall through a new 8km pipe between Hayle and Gwithian. Work on sinking the tunnel shaft has commenced and construction is scheduled for completion in late 1994.

The tunnel is an important element of the Penzance and St Ives scheme which is being constructed by the Trafalgar House Water Projects Consortium, comprising Trafalgar House Construction and John Brown Engineering.

The scheme involves diverting crude sewage outfalls in the Penzance area and redirecting the flows to Hayle for treatment prior to discharge through the tunnel outfall.

£15m orders placed with Lilley Group

LILLEY GROUP has received new orders worth £15.2m during October. Heading the list is a design and build contract, worth £2.8m, for a cementations grouting facility for waste containers at Drigg in Cumbria for British Nuclear Fuels Engineering. Eden Construction has already started work on the 58-week project.

Hatfield Construction has been awarded a £1.1m contract to extend the foyer at the Museum of London. Completion is scheduled for the end of July 1993.

Lilley Construction has won orders worth £8.2m, including stage 3a of the Mersey Estuary pollution alleviation scheme, worth £2.5m, and a £2.1m civils contract for BP Oil at Grangemouth.

The remaining contracts were awarded throughout the group; MDW (£900,000); Eden Construction (£1.6m); Robison & Davidson (£400,000); and Henry Jones Construction (£200,000). This brings the total group order book for the year to £203m.

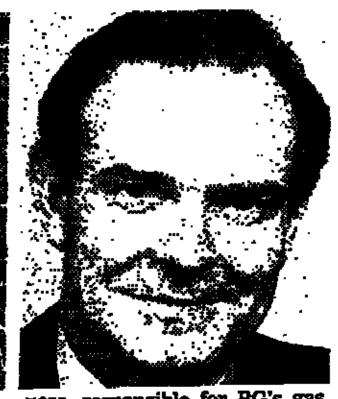
PEOPLE

Evans' strategy: the gasmen shuffleth

Robert Evans, British Gas chairman, has unveiled a wide-ranging shake-up of the company's management, three months after he split the roles of chairman and chief executive and appointed Cedric Brown to the latter position.

Evans says the changes were a natural consequence of Brown's move to chief executive, and adds that they are aimed at introducing more effective and up-to-date management structures.

"A clear separation of strategy and implementation is being introduced, where the corporate centre provides the strategic direction of the company, with responsibility for implementation being devolved as far down the line as possible," he says. BG explains that the changes would allow the central bureaucracy to be reduced, with more responsibility passing to the heads of individual business units.



Norman Blacker (left) moves from managing director of regional services to become managing director, gas business, responsible for BG's gas business in the UK. Ron Probert, the current managing director of gas supply and strategy, becomes managing director, business development, responsible for planning, construction, research and technology. He is also expected to keep his responsibility for overseeing BG's response to the Monopolies and Mergers Committee inquiry into the UK gas market. Probert announced his intention to retire from BG's board in June 1993 when the MMC inquiry ends.

Russell Herbert (right), managing director, corporate services, is appointed a BG director and becomes managing director of Global Gas, the international gas supply and services division.

George Langshaw moves from his post at the head of Global Gas to become managing director of UK regions.

Arthur Dove becomes managing director, regional services, while Dennis Cottrell is appointed to the new post of director of corporate resources.

■ David Watts has been promoted to md of THAMES VALLEY EGGS on the retirement of John Coles.

■ Phil Francis, president of Shaw's Supermarkets, SAINSBURY'S US subsidiary, has been appointed ceo as from January 1993; David Jenkins, chairman and ceo, will retire on March 1 1993, at which date Dino Adriano, a director of J Sainsbury, will become non-executive chairman.

■ John Morgan and Alan Batt, founder of Anti-Friction Components, have been appointed to the board of MINING & ALLIED, Anti-Friction's new parent.

■ Henry Roberts, formerly chief executive of Hughes Food Group, has been appointed chief executive and director of NORTHUMBRIAN FINE FOODS.

■ Ian Smith, formerly group treasurer, is appointed finance director of HICKSON Performance Products; he is replaced by Graham Roberts who joins from BET where he was international treasurer.

■ Joe Leech, former md of Dow Corning Hansil, has become manager of designed products and methyl fluids; science and technology at DOW CORNING's European hq in Brussels; he is replaced by the marketing director, Nick Brassey.

■ Roger Eastoe has been appointed deputy md (revenue & marketing) at MIRROR GROUP NEWSPAPERS.

■ Mike Langley, formerly STOREHOUSE group human resources manager, has been appointed human resources director of Mothercare.

■ Trevor Lerman, formerly merchandise director of Associated Independent Stores, has been appointed group sales and marketing manager of WORTHINGTON GROUP.

■ Ian Pickford, formerly director and general manager, has been promoted to md of GROUP 4 Nightspeed.

■ Peter Gent, formerly commercial and operations director, has been appointed chief executive of Interlink Express, part of MAYNE NICKLESS.

■ Pete Johnson (below), formerly director, membership, has been appointed md AA commercial services and to the AA Committee; Sir Brian Shaw, treasurer, has been elected a vice-chairman and to the AA Committee. Frank Thackwray becomes md of AA membership.

Crombie joins Shell UK board

Graeme Crombie has been appointed to the board of Shell UK, assuming the job of managing director of Shell Chemicals UK. He takes over the helm as the Shell ship hits stormy waters. Shell Chemicals is expected to make a worldwide loss this year because of poor demand and overcapacity, particularly in the petrochemicals market.

Crombie has spent his entire career with Shell, joining as a chemical trainee in 1963. His experience includes being head of plasticiser alcohols and product marketing manager for higher olefins. His most recent posting was as vice president chemicals for Shell Canada.

He replaces Evert Henkes who becomes metals co-ordinator for Shell international petroleum company and president of its loss-making mining subsidiary Billiton International Metals in the Hague.

Unilever fills Heron gap

Clive Butler, Unilever's director for corporate development and economics, is to step up to fill the role of personnel director which will be vacated when Mike Heron leaves the Anglo-Dutch consumer products company to become chairman of the Post Office next year. Butler will also become the regional director for Europe.

Unilever is shuffling a number of other functions following Heron's departure. Hans Eggerstedt, finance director, will assume responsibility for the company's information technology group while the corporate development/ economics and external affairs departments will report directly to Unilever's special committee, which effectively acts as a three-man chief executive.

■ Ian Robinson (above), formerly chief executive of John Brown's engineering & construction sector, has been appointed chairman and md of TRAFALGAR HOUSE engineering division; he succeeds Allan Gormley and is succeeded by David Moorhouse.

CONTRACTS AND TENDERS

ARCHITECTURE

A mission to find a place for reverence

If a recession can be called a pause for thought, then there is one person in Britain who has made very substantial use of the not so short intermission. It is eight years since the Prince of Wales made his memorable speech to the Royal Institute of British Architects on their 150th anniversary, and in that time many of the Prince's thoughts about architecture have been translated into action. While the slump in the building industry has slowed the progress of both development and innovation - it has given time for some thoughtful changes in architectural theory and education. Last week, the Prince of Wales inaugurated an entirely new school of architecture in London and paid it a couple of visits to meet students and sit in on a lecture.

Although two houses in Regent's Park and 31 Foundation Course students may be only a modest acorn rather a giant oak, it is a remarkable beginning achieved in an often pointlessly hostile critical climate. I thought that there was a remarkable atmosphere at the opening event last week; one of quiet and thoughtful determination among the staff and students. It is a perfectly fair question to ask: why another school of architecture ? I think that the Prince gave the answer; "If there has been any single thing wrong with the architectural profession in this country over the last century, it has been that they have become cut off from people who are not architects, from compatriots in the building process. I would like my Institute to make the most of its independence, and its freedom from sectional interests, to try and effect some reconciliation between these fragments. So, while it will teach theory, it will be rooted in good building practice; while it develops the aesthetic sensibilities of the builder and the architect, it will not be at the expense of remembering that there is a "builder" in each one of us".

The school is already something of a remarkable animal. It is the product of endless work, much of it voluntary, from people who are committed to architectural literacy without rigid dogma. It was a welcome sight to see the President of the Royal Institute of British Architects, Mr Richard MacCormac, present at the opening of the school. Bridge building is the order of the day; recognition that there can be different standards of excellence, and an understanding that architectural quality depends upon shared roots.

The Prince is sometimes unfairly mocked for even daring to mention values that exist beyond the merely material plane. Architecture is, at its best, like any other fine art, concerned with the place of mankind in the world and of the world in the universe. Architectural language deals with this through a sense of order and proportion. That is not some mystical sixth sense but something which can be learned and, once mastered, applied to the art of creation. To quote the Prince's opening speech: "In architecture, in music, and in nature as a whole, there is, I believe, a fundamental order or hierarchy, the recognition of which is essential both to appreciation and to our own creativity."

However, recognising this sense of order is only the beginning. There is another area that is harder to define and is often ignored out of a kind of Protestant embarrassment. This is what the Prince and others have called, "reverence"; a mixture of humility and aspiration. Without this quality, artistic creation has a rough ride through the jungles of egomania and self promotion. An artist like Rembrandt is one of the clearest examples of the demonstration of reverence; how can architects and architects in training be taught to embody that sense of observed respect for humanity that Rembrandt transforms into art ? That is the challenge which the Prince of Wales's Institute of Architecture is beginning to be equipped to face.

Earlier this month in the northern Italian city of Bologna, the Prince of Wales inaugurated an exhibition of architecture entitled "A Vision of Europe". I hope that this exhibition will tour in Europe because the curators, Liam O'Connor and Gabriele Tagliaventi, have assembled a remarkable range of built and unbuilt projects that illustrate a continuing urbanist and architectural tradition that nonetheless accommodates the activities of the end of the twentieth century.

The European range that is fascinating and some particular architects who are not especially well known stand out. I was impressed by the work of the French architect Christian Langlois with his completion of the cathedral square at Orleans and the buildings he designed in the 1970s for the French Senate in the Rue Vaurigard in Paris. There is an impressive block of flats in Olot, Barcelona, Spain which shows that there are new ways of using the classical language to deal with modern problems. The architect is Ramon Fortet and his work is far more sympathetic and humane than the fashionable giantism of his compatriot Bofill. The range of work in this exhibition is inspiring; I hope it will soon be seen in the UK.

There is a unique opportunity for lovers of European architecture and culture to demonstrate their own sense of reverence in a practical way in London on November 10. There are still seats available for the concert at the Royal Festival Hall being given by the compelling pianist from the former Yugoslavia, Ivo Pogorelich. The purpose of the concert is to raise funds specifically for the International Monuments Trust Croatia Appeal, with the proceeds being specifically earmarked for the City of Dubrovnik. It is hard to think of a more worthwhile way of spending an evening, listening to the works of Chopin, Ravel and Rachmaninov, knowing the funds raised are going to help repair the mad and wanton damage recently inflicted upon the "jewel of the Adriatic". This international cultural appeal deserves support and tickets can be obtained from the Royal Festival Hall. It is hard to realise the extent of the damage recent fighting has inflicted upon our common European heritage. There can be no other place at the moment where reverence for European culture is more sorely needed.

Heritage under fire: the International Monuments Trust Croatia Appeal has earmarked concert proceeds for the City of Dubrovnik

Sponsorship/**Antony Thorncroft**

The Wigmore Hall is flavour of the month

Extracting sponsorship money from companies is proving disheartening in a recession but there are alternative sources of revenue for arts groups to explore. Trusts are committed to distributing largesse whatever the financial climate and rich individuals often feel more charitable in hard times.

On November 9 the Queen will open the Joseph H. Hotung Gallery at the British Museum. It is devoted to Chinese and Indian works of art; at 360 feet it is the longest museum gallery in the UK; it is resplendently finished in gold leaf; it displays almost 4,000 masterpieces; and its £2m cost was met by one man, Mr Hotung, a Hong Kong businessman.

There may be mercenary reasons why Mr Hotung has been so generous. He is acquiring commercial properties in the UK. He will get a status-raising exhibition of his own collection of Chinese jades in the gallery next year – and his name will be neatly engraved into the structure. But they are incidental to Mr Hotung's commitment as a collector.

He learnt much in the old Chinese gallery at the British Museum, but felt his learning curve would have been greatly increased if the lighting there had been better. He suggested to the Keeper, Jessica Rawson, that he provide improved lighting. She nudged him towards a full scale renovation.

The National Gallery has also found four private patrons, including Lady Kaye and Mrs Wrightsman (plus old friend, dealers Hazlett Gooden & Fox to club together the £1m needed to renovate its Lower Gallery, where it keeps its reserve collection. It will reopen next spring.

The Tate Gallery gained an important work by Joseph Wright of Derby thanks to the generosity of Mr John Ritblat, who gave £100,000, encouraged by the Gift Aid provisions, while the cataloguing of Kenneth Clark's archive was paid for by John and Olivia Hughes, also powered by Gift Aid.

In the main private patrons prefer to finance long lasting memorials to their munificence, but when Ken Russell's production of *Princess Ida* opens at the ENO next week it will be part paid for by Christine and Irwine Laidlaw, American fans of the Coliseum.

★

Amazingly there are still sponsorship success stories. Here are two. The Wigmore Hall reopens for business on November 12 after an 18-month closure for restoration. There has been no change to the gorgeous art nouveau auditorium. All the work is back stage, and designed, almost incidentally, to appeal to sponsors. For the first time there is a large bar area, ideal for entertaining, plus an adjacent restaurant.

The Wigmore hardly touched the lives of sponsors in the past. It was regarded as too cramped. But now it is flavour of the month, its popularity among artists, audiences, and even critics, filtering through to sponsors. For the first half of its 1992-93 season the Wigmore has attracted £80,000 in sponsoring income as against a target of £56,000. Apart from the smart new premises, sponsoring a concert at the Wigmore starts at £3,000, a much less demanding proposition than a £20,000 blow out at the Festival Hall.

The Wigmore must become more commercial. It still gets grants from the Arts Council and Westminster City Council, which, with its landlord, the Prudential, paid for the £2m refurbishment, but the nod is that it should develop its own sources of income. National Power is sponsoring the reopening concert, which features 16 singers, including Margaret Price and Felicity Palmer, and British Airways and Marks & Spencer have joined the new backers.

★

The Wigmore Hall is acting as an out station for the Scandinavian Festival, the most ambitious of the themed arts binges put together by the Barbican. This has also touched a nerve in sponsors. If the Wigmore offered novelty, the Festival has sold itself on artistic over-drive. Its sponsorship target was £200,000 (to match an equivalent sum from the City of London). In the event it has brought in over £400,000, in cash and kind, two thirds of it from Scandinavian companies.

Baroness O'Caithin, director of the Barbican, is seriously considering giving back to the City the £200,000 surplus. It would demonstrate good house-keeping. She might, however, wait until the financial balance sheet on the Festival is complete before indulging in such a dramatic gesture.

The Barbican set up a sponsorship committee headed by Sir Andrew Stark, former British Ambassador to Denmark, to raise the cash and obvious names like Carslberg, SAS, Finn Air, Statoil (the Norwegian state oil company) and more rallied round, supplying, on top of cash, facilities like air tickets, hotel accommodation and the paper to print the brochure.

★

Esso is a happy sponsor at the National Gallery. It was so pleased with the response to its *Art in the Making* series of exhibitions that it has signed up for a successor programme, *Making and Meaning*, which puts major NG works in context. The first show is devoted to the recently restored Wilton Triptych, and takes place next autumn. Then comes Michelangelo. Each will cost Esso around £100,000.

The National Gallery has a new head of development in Bettina von Hase. She inherited the Munch exhibition, which opens next week thanks to £250,000 from Norsk Hydro, but is seeking a backer with £200,000 to support a show planned for April of paintings from the temporarily closed art gallery in Lille. Also in the in-tray is the decorous search for six more companies (14 are already signed up), prepared to pay £25,000 a year to become a corporate benefactor and have after hours access to the NG's collection.

In the longer term she must seek sponsors for a £10m renovation package for the north wing of the National Gallery. It is only 20 years old but needs repairs to its air conditioning as well as a more flexible hanging space. The aim is to renovate all the NG's galleries in time for the millennium.

★

The sponsorship success of two orchestras confirms the perennial appeal of the young. London Electricity is extending its sponsorship of the London Schools Symphony Orchestra until 1996.

European Arts Festival

Le Baruffe Chiozzotte

Malcolm Rutherford

Giorgio Strehler's Piccolo Teatro of Milan has not been seen in London for over 25 years and is here all too briefly now as part of the much under-publicised European Arts Festival.Strehler's direction of Carlo Goldoni's *Le Baruffe Chiozzotte* is pure pleasure, tinged perhaps with a slight tear at the final curtain.

Goldoni was the man who put an end to the improvised *Commedia dell'arte* in the 18th century by insisting that performances should have texts, not just a rough scenario. *Le Baruffe* is not one of his best-known pieces, though a programme note tells us that it was singled out by Goethe as being the work of a master when he saw it in Venice in 1786. British audiences will know him most for *The Servant of Two Masters*, but his output ran to some 200 works, each taking on average about eight days to write.

The genius here seems to belong largely to Strehler and his team, including the musicians and the designer (Luciano Damiani) as well as the cast. While the piece is played in Italian, the title has been translated into *The Chioggian Quarrels*. "Squabbles" might be more appropriate, for these Italian fights calm down as quickly as they flare up.

Chioggia is the fishing port near Venice: the women wait for the fishermen to return and wonder about who will marry whom. When the boat comes in, the fighting starts. All is resolved in the end, however, by referring the disputes to the local assistant magistrate, Isidoro. The historical interest is that this was the post in Chioggia held by Goldoni before his play-writing took off. Isidoro (Luciano Roman) is a wonderfully detached figure who just watches in solitude when the wedding party takes place: that is the cause for the final tear, plus the fact that the performance has been so perfect.

The joy lies in the depiction of the fishing village. Some times there is ensemble playing, as when the women do their weaving and await the men. At others an individual stands out, as when one of the men loses his temper. Strehler has a marvellous way of producing caricatures who are not stereotypes: for example, the magistrate's aged clerk who proceeds at his own slow pace, regardless of events, or the old fisherman, Padron Toni, who can hardly speak but to whom everyone tries to listen. An entire village is here with a cast of little more than a dozen: note the emergence of the children who initially are heard not seen.

There is magnificent use of the Lyttelton Theatre's space. Much of the stage is bare, with the canal where the boat comes in in the background. That leaves plenty of room for the squabbles. The two tall dark houses at the sides have shutters which suddenly open to reveal the women. It is as if the whole place had eyes. As Strehler has a passion for Shakespeare, it would be a treat to see what this company would do with *Romeo and Juliet*.

I should add that there is a touch of Marxism: you can be forgiven for thinking of Brecht, though Brecht at his best. Strehler is a socialist director, stressing his feelings for the poor, and if one wanted to be slightly unkind, one could say that is designer socialism *par excellence*. I mean that as a compliment. The chief memory is of the sheer delight the Italians take in their language and in every detail of the playing. *This is a spoken opera.*

Lyttelton Theatre. (071) 928 2252. Ends today.

Music/**David Murray**

London Sinfonietta celebrates 25 years

With its penchant for celebrating anniversaries, the London Sinfonietta is spending this season fêting its own twenty-fifth. Self-congratulatory, of course, but pardonable: its proud list of past and present commissions in the programme-book for "Happy Returns", its current South Bank series, must be unmatched by any other band. Most of the music in this series was, indeed, commissioned or co-commissioned by the Sinfonietta and its fraternal Voices, and on average the quality has been bracingly high.

Still, claiming "to have defined the course of contemporary music over these past 25 years" is a bit strong. During that time, and especially since the end of the 1970s, the course of "contemporary music" has branched into rivulets going every which way. The Sinfonietta has managed to dip a cautious toe into many of them, unlike more doctrinaire ensembles, but mostly it is loyal to its own favourites. And a typical Sinfonietta programme, like Saturday's at the Queen Elizabeth Hall, chiefly demonstrates how disparate and incommensurable even those are.

The concert offered extremes of tough- and tender-mindedness, respectively at the outer ends and in between. At the start Oliver Knussen conducted his own *Coursing* (1979), potent and thrilling as ever; first a wild unison footling by everybody, gradually overlaid and underpinned by slower strands which at last make a towering wall of sound. All that in just six minutes!

The evening concluded with Elliott Carter's 1981 song-cycle *In Sleep, in Thunder*, which even in a superlative performance like this (the intrepid soloist was Jon Garrison, a fine operatic tenor who could compete with Carter's fierce band) strikes me as one of his toughest pieces to digest.

Six Robert Lowell poems are set to angular, high-flying vocal lines, no less vehement than the ensemble with its minatory trumpet. The idea must be to make explicit the dramatic implications of the verse: dark, troubled, bitter; as word-setting, however, it seems a long way off Lowell's quietly tense, gritted-teeth style.

In between, we had Robin Holloway's scrupulous, gentle *Evening with Angels* (1972, but later shorn of its musical "frame" and a whole song), and a characteristic idyll by Takemitsu. His 1988 *Tree Line* evinces all the qualities which have kept him laden with commissions from people wanting listener-friendly "new" music: tranquil and exceedingly pretty, with its delicate sound-palette, in an idiom just a step beyond early Impressionist Roussel or Florent Schmitt.

It has been curious to follow Takemitsu's progress, or regress, from music of tiny, exquisite flourishes in an impeccably atonal postwar idiom to his recent canvases, which glow so sweetly and sound so old and familiar. To be fair, they are always shapely in ways which are his very own. A new piece by the émigré Dmitri Smirnov, *The River of Life* inspired by a Blake watercolour sounded equally sincere and out-of-its-time. Here, though, the harking-back was to Skryabin: not to his exacerbated harmony (Smirnov uses quasi-serial note-patterns, planned to afford plenty of major triads), but to his tremulous ecstasies. As the vision developed, a soulful trumpet sealed the resemblance. Skryabin himself, however, might have stopped short of putting harp, celesta *and* glockenspiel in unison to make his celestial effects.

INTERNATIONAL

ARTS GUIDE

■ BERLIN

OPERA/BALLET

Deutsche Oper This week's repertory consists of L'Italiana in Algeri tomorrow, a Béjart evening on Thurs, Madama Butterfly on Fri, Fidelio on Sat and Lohengrin on Sun (3410 249)

Staatsoper unter den Linden Tonight's performance is Il barbiere di Siviglia. Tomorrow: Nureyev production of Sleeping Beauty. Wed: Hindemith's Neues vom Tage. Thurs and next Mon: Entführung. Fri and next Tues: Salome with Karen Huffstodt. Sat: Balanchine evening. Sun: Giselle (2004 762)

CONCERTS

Schauspielhaus Günter Wand conducts tonight's concert by the Berlin Radio Symphony Orchestra, featuring Beethoven's Fifth and Sixth symphonies. Wed: Peter Schneider conducts Orchestra of the Deutsche Oper in Bruckner's Sixth Symphony. Thurs, Fri and Sat: Michael Schoenwandt conducts Berlin Symphony Orchestra in works by Beethoven, Prokofiev and Schoenberg, with violin soloist Salvatore Accardo. Sun morning and next Mon: Andrew Davis conducts Elgar and Schumann. Sun evening: Hartmut Haenchen conducts CPE Bach Chamber Orchestra in works by Handel and Bach (2090 2156)

Philharmonie This week's Berlin Philharmonic concerts are conducted by James Levine. Wed and Fri: Wagner's Wesendonck Lieder and Mahler's Das Lied von der Erde, with soloists Jessye Norman and Siegfried Jerusalem. Sun and next Mon: Debussy's Images and Elgar's Enigma Variations. Seiji Ozawa conducts two weeks of concerts starting Nov 12 (2548 8232)

THEATRE

A Slice of Saturday Night, an English-language musical about London club life in the 1960s, runs daily except Mon from tomorrow till Nov 11 at the Akademie der Künste, Hanseatenweg 10 (854 2040). Bremen Shakespeare Company opens a month's residency at Freie Volksbühne on Fri, featuring Macbeth, The Tempest, Titus Andronicus and others (881 3742). Volksbühne am Rosa Luxemburg Platz has its new production of King Lear tomorrow and Sat (282 8978) and Deutsches Theater has two remaining performances, on Nov 7 and 29, of Thomas Langhoff's production of Hofmannsthal's political tragedy The Tower (2871 225).

■ GENEVA

OPERA/CONCERTS

Tonight's concert at Victoria Hall is given by St Petersburg Philharmonic Orchestra (310 6611). A new production of Die Frau ohne Schatten opens at the Grand Théâtre on Sun (repeated Nov 11, 14, 18, 21, 24, 27). Horst Stein conducts, with a cast led by Thomas Moser, Ellen Shade, Reinhild Runkel, Wolfgang Schoene and Deborah Polaski (311 2311)

THEATRE

A new production of two short plays by Marivaux opens at the Comédie tomorrow, and runs till Nov 21 (320 5001). Gorki-Tovstonogov Theatre of St Petersburg brings an Ostrovsky production to Théâtre de Carouge Nov 17-29 (343 4343)

■ MILAN

Teatro alla Scala 20.00 Ballet School of La Scala, repeated tomorrow. Sun: Lynn Harrell cello recital. Nov 11: Riccardo Muti conducts Orchestra of La Scala. Nov 23: Dmitri Hvorostovsky song recital. Dec 7: Don Carlo opens 1992-3 opera season (7200 3744)

■ NEW YORK

OPERA/DANCE

Metropolitan Opera Ruth Ann Swenson and Gino Quilico star in tonight's performance of L'elisir d'amore (also Fri). Tomorrow and Sat afternoon: Madama Butterfly with Diana Soviero. Wed: Tosca with Dimitrova and Pavarotti. Thurs and next Mon: Semiramide. Nov 19: first night of new production of Lucia di Lammermoor (362 6000)

State Theater New York City Opera has Die Fledermaus tomorrow evening and Sun afternoon, Carmen on Wed, Fri and next Tues, and Die Zauberflöte on Sat. The season ends next week with five performances of Nash, Schmidt and Jones' 110 in The Shade. New York City Ballet opens its winter season on Nov 17 (870 5570)

City Center Paul Taylor Dance Company, daily till Sun. Nov 18-22: Houston Ballet. Dec 9-Jan 3: Alvin Ailey American Dance Theater (581-1212)

CONCERTS

● Avery Fisher Hall: In tomorrow's New York Philharmonic concert, Klaus Tennstedt conducts Mahler's Sixth Symphony. Thurs, Fri, Sat: Zubin Mehta conducts world premiere of Messiaen's Eclairs sur l'Au-Delà, commissioned by the Philharmonic as part of its 150th anniversary celebrations. Sun afternoon and next Mon evening: Kirov Opera Orchestra conducted by Valery Gergiev. The first programme includes Tchaikovsky's First Piano Concerto (Vladimir Feltsman) and Prokofiev's Third Symphony, the second has Tchaikovsky's Sleeping Beauty (excerpts) and Sixth Symphony. Sun evening: Prague Chamber Orchestra (875 5030)

● Alice Tully Hall: Tokyo Quartet, with clarinettist Richard Stoltzman, plays Schubert, Berg and Mozart on Wed. Kathleen Battle gives a song recital on Sun. Nov 11: Guarneri Quartet (721 6500)

● Carnegie Hall: tomorrow's performance of Mahler's Eighth Symphony is the 40th anniversary concert of Canterbury Choral Society. Wed: Horacio Gutierrez piano recital. Fri: Mario Bernardi conducts Calgary Philharmonic Orchestra in works by Berlioz, Britten and Schumann. Sun afternoon: Dennis Russell Davies conducts American Composers Orchestra. Nov 15: Thomas Hampson song recital. Nov 17: Tennstedt conducts Philadelphia Orchestra. Nov 19: Vladimir Ashkenazy conducts RPO (247 7800)

■ VIENNA

OPERA

Staatsoper Mara Zampieri and Renato Bruson are the Macbeths in tonight's revival of Verdi's opera (also Thurs and Sun). Leontina Vaduva and Roberto Alagna star in tomorrow's performance of L'elisir d'amore. Wed: Prokofiev's ballet Romeo and Juliet. Fri: Capriccio. Sat: Die Zauberflöte (51444 2960)

Volksoper Tonight's performance is Evgeny Onegin. Tomorrow: Die Fledermaus. Wed: new production of Gottfried von Einem's opera Dantons Tod. Thurs: Nabucco. Sat: Lady Macbeth of Mtsensk (51444 3318)

Kammeroper Henze's opera The English Cat can be seen on Nov 7, 9 and 11 (Fleischmarkt 24, 513 6072)

WIEN MODERN

Vienna's annual contemporary music festival focuses this year on the music of Dallapiccola, Henze, Xenakis and Schwertsik. Tonight's concert of works by Schwertsik is directed by HK Gruber. Tomorrow: Phyllis Bryn-Julson song recital. Wed: Klangforum Wien plays Henze. Thurs: guitar recital by David Tanenbaum. Fri: Ingo Metzmacher conducts Austrian Radio Symphony Orchestra in a concert performance of Dallapiccola's one-act opera Il prigioniero. Sun: Scharoun Ensemble plays Henze and Pergolesi. The festival runs till Nov 27. Most events take place at the Konzerthaus (712 46860)

MUSIKVEREIN

Claudio Abbado conducts Vienna Philharmonic Orchestra in Mahler's Second Symphony on Fri and Sat afternoon and Sun morning. Yuri Temirkanov conducts St Petersburg Philharmonic in a Tchaikovsky and Sibelius programme on Sat and Sun evening. Andras Schiff continues his Schubert piano cycle on Sun morning. Next Mon and Wed: Grace Bumbry song recital. Nov 16, 17: BBC Welsh Symphony Orchestra. Nov 20, 21, 22: James Levine conducts Vienna Philharmonic. (505 8190)

THEATRE

Theater in der Josefstadt has Ariel Dorfman's Death and the Maiden, Peter Shaffer's Amadeus and Shakespeare's The Taming of the Shrew (402 5127). Volkstheater has a new production of Edward Bond's The Sea (932776). Theater an der Wien has Elisabeth, a new musical based on the life of the child bride of Emperor Franz Joseph, daily except Wed (588 30265)

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MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today — a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week — a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
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Monday November 2 1992

A vote for Europe

MEMBERS OF parliament from all of Britain's political parties should vote for the government at the end of Wednesday's debate on the Maastricht treaty.

The motion before the House sets out what has happened to date in Parliament's consideration of the bill to ratify the treaty and proposes to continue that process. But the emollient phraseology cannot disguise the primary purpose of the debate. This is to establish, once again, that there is a majority in the British parliament for proceeding in good faith with arrangements made after difficult negotiations with the other 11 members of the European Community.

Those who propose to vote against must disagree with this. The Labour party, which has worked itself into a lather of unrealistic expectations of a fruitful alliance between itself and Tory Europhobes, maintains that the time to proceed is not now. Discuss ratification after Christmas, says Labour, or after the Danish question has been finally resolved.

When that sophistry is exposed, Labour apologists, some of them rather shamefaced, burble on about how it is their duty to vote against the government on what, they insist, is patently a vote of confidence. If that is so, why not put down a confidence motion? The opposition has the right to do that, but Mr John Smith, the Labour leader, knows that it would be blown out of the water.

Playing games

The truth is that the party is allowing itself to be diverted by the sight of a government in disarray. If it is to have the slightest hope of forming an administration once again it should be fixing its sights on 1996-97, when it will fight another general election. It should be showing that it has learned the lessons of its defeat in April.

Whatever the opinion polls say now, they are irrelevant to the next big contest. The outcome of that will in large part depend upon whether Labour, which has proved to be unelectable four times running, has by then shown itself to be trustworthy. In playing games with Wednesday's vote, Mr Smith is indicating a willingness to abandon his own long-held European convictions. Has he forgotten the damage done to his predecessor by a reputation for U-turns on matters of deep principle? Distracted by the passing show, Mr Smith is revealing a lack of confidence that his own party can indeed be led towards reform and unity.

No alternative

His allies on the Conservative benches stand for everything the Labour party says it does not. Some are English nationalists, tending, in some cases, to xenophobia. Some are unreconciled Thatcherites, unable to forgive Mr John Major for not being the clone of the former prime minister that they thought he was when they voted for him in November 1990. Others are merely disgruntled ex-office holders.

What they have in common is an inability to answer the simple question – "if not Maastricht, if not Europe, what then?" Acolytes of a lady whose proud motto was that there is no alternative, they now have no alternative to offer.

Mr Paddy Ashdown will ask his Liberal Democrats to support the motion, even at the cost of Labour taunts that he is keeping the government in office. That is not what he is doing: the Conservatives would not abdicate if Maastricht was scuppered. Mr Ashdown is simply sticking to principle and emerging with more credit than the leaders of either of the larger parties.

If Britain allows itself again to be exposed as half-hearted about the Community or even, as some Eurosceptics fantasise, as the principled wrecker of a treaty too far, defeat for the government on Wednesday will be a stunning setback in the country's tortuous progress in coming to terms with its viable place in the world.

At odds with its EC partners, Britain will pay dearly in lost inward investment, long-term economic growth foregone, higher unemployment and a place in the counsels of Europe denied. Those who resist a positive vote on Wednesday are declaring their willingness to pay this price.

Danish demands

MEANWHILE, DENMARK. Mr Jacques Delors, president of the European Commission, may be correct in his belief that the terms of the Danish demands would involve a renegotiation of the treaty, which the 12 have already ruled out as a matter of principle. But it was not prudent of him to say so in the way he did last week.

On commonsense grounds, a compromise ought to be possible. Cumulatively, the Danish demands undoubtedly represent a pretty comprehensive rejection of the Maastricht vision of greater unity at the political and economic level. But in detail each item on the Danish list can be dealt with. Indeed, most of them seem based on a misapprehension of what the treaty could require of Denmark. There is no provision for a compulsory common defence policy, and no chance that such a policy could be imposed. Danish anxieties that the Community could encroach on national sovereignty in the fields of citizenship and law enforcement are equally overdone.

The most substantial demand is for a strengthened opt-out from the plan for a single currency. Yet Denmark already has a protocol in the treaty allowing it to secure exemption from monetary union, so an expansion of this let-out would not be a major departure of principle.

The most difficult feature of the Danish package is not so much these issues themselves as the form in which they have been wrapped.

If the Danish government continues to insist upon an instrument which is legally binding and therefore involving directly or indirectly an effective modification of the treaty and therefore a new round of ratifications, the other member states will be right to resist.

It may yet be that, faced with a treaty ratified by 11 members, the Danes will be willing to settle for the kind of declaratory interpretation the 11 would certainly be willing to sign. What seems beyond doubt, is that an accommodation will require negotiation and compromise at the political level. This is not a task at this stage in which Mr Delors can play a leading role.

One-stop advice

SUPPORT FOR business in Britain is fragmented, underfunded and of variable quality. Smaller companies, in particular, often do not know where to go for advice or help with raising finance.

Mr Michael Heseltine thinks he has the answer. His officials at the Department of Trade and Industry are working on plans to establish a nationwide network of 200 "one-stop shops", advice centres which would bring together various sources of business support.

The Training and Enterprise Councils (TECs) are to be asked to co-ordinate local partnerships to bid for the franchise to run the centres, which would combine the efforts of chambers of commerce, enterprise agencies, local authorities and others on a single site primarily to assist smaller, established businesses. The centres are intended to provide a level of service which matches that provided by the continental European chambers of commerce but without the obligation for all local businesses to register or become members.

In principle the plan is to be welcomed, but a number of issues need to be tackled if the venture is to succeed.

Most obviously, the funding for the new network will have to be right, since the rise in unemployment and related training is already placing a heavy burden on the TECs' budgets.

Care is also needed to define the role of the institutions involved. Some TECs are already directly providing business services in competition with existing business support organisations instead of concentrating on co-ordinating the delivery of services by others. The relationships between TECs and other agencies is uneasy in many areas as a result.

Meanwhile, the chambers are halfway through a revamp of their own network with a programme from which the DTI appears to have borrowed generously. The chambers were wrong-footed by the creation of the TECs and they seem to have been caught again by the latest proposals.

A careful, sustained effort by government to co-ordinate the efforts of these agencies is badly needed. A superficial and poorly funded exercise, strong on publicity, weak on organisation, would do a great deal of harm.

The US election will be decided in about a dozen states, writes Jurek Martin

Last clash in a war of weirdness

This "deeply weird" election year, as President George Bush never stops calling it, has come down to this final irony. The selection of the man to lead the most mobile and changing society the industrialised world has yet produced will probably be determined in the oldest and most stolid parts of the nation, that swathe of yesterday's industrial heartland that stretches from the awful refineries of New Jersey to the ethnic beer halls of Milwaukee, with a few excursions to the even more ancient colonial south.

This weekend, the voters of about a dozen "battleground" states will have digested all they have learned this year about Mr Bush, Governor Bill Clinton of Arkansas, and Mr Ross Perot, a billionaire from Texas. It is now probably too late for 11th-hour smoking guns, bimbos and October surprises, unless the unpredictable Mr Perot endorses one of the other two.

There will be no more economic statistics to muddy the waters. It has all come down to final frantic efforts in non-stop six-state-a-day tours by Messrs Bush and Clinton, the occasional foray in the flesh by Mr Perot, and a barrage of commercial advertising by all three to wind up the most expensive election there ever has been.

All that is now left before tomorrow are the final polls and a lot of questions. Here are some of the more important:

● Can Bush win?

The answer is yes, but luck will be needed. Though he has narrowed his deficit in the national polls with Mr Clinton, he has not risen much above 35 per cent in any of them. The lowest winning percentages of the popular vote this century have been Woodrow Wilson's 41.84 in 1912 and Richard Nixon's 43.42 in 1968, which indicates Mr Bush still has a way to go. But both those contests featured strong third-party candidates, a role Mr Perot, vaingloriously, unwittingly and unwillingly, may yet play by spoiling Mr Clinton's exclusive opposition patch.

● But can Bush win the electoral college?

This is where everything must go right on election day, because the president starts with a huge debit. He has already conceded California, New York and Illinois, the first-, second- and sixth-largest states, together worth 109 of the 270 college votes needed to win. He has visited none of them for weeks and his campaign is paying for no prominent media advertising in California and New York and only radio spots in Illinois. In 1988, he took California and Illinois and cannot be unconscious of history which says that no Republican this century has taken the White House without carrying California.

In 1988, Mr Michael Dukakis won 11 states, including New York and the District of Columbia. This year they are worth, excluding New York, 71 votes. None looks even remotely fragile for Mr Clinton, though Mr Bush chose Wisconsin for a Saturday train tour. It must be assumed the Democratic candidate will carry Arkansas, his state, and Tennessee, Senator Gore's, worth another 17 votes.

By a conservative calculation, therefore, Mr Bush is up against an opponent with 198 electors virtually in the bank, more than double Mr Dukakis's total, nearly five times what President Carter got in 1980, more even than Hubert Humphrey in 1968, who lost by only 500,000 popular votes.

This is not, by itself, an insuperable handicap for a man who four years ago swept the south, cleaned up in all the big states except New York and ruled supreme elsewhere except some north-eastern states, the Pacific north-west and Hawaii. The problem this year is that Mr Clinton, a southerner, is very competitive in his own backyard, especially in bigger states such as North Carolina, Georgia and Louisiana, with their 36 electors, not to mention Florida and Texas, the third- and fourth-largest states worth 57 votes.

● What is the Bush strategy then?

His campaign claims, without being specific beyond the questionable inclusion of Texas and Florida, that he leads in 14 or 15 states with about 140 electors and is "competitive" in a like number. By this, Mr Fred Steeper, his pollster, means states in which he now trails by one to six points but which he would win in the event of a last-minute three- to four-point swing in his favour. He concedes there is no margin for error.

If Indiana, Vice-President Dan Quayle's home and the first state to report on Tuesday, looks sick, "we can roll up the rug", though Connecticut and New Jersey will be the best early tests. In the final days, Mr Bush is spending all his time in the industrial heartland, before going home to Texas, and is deploying former President Reagan in the south.

● Can Clinton lose?

Again the answer is certainly yes, if Mr Bush's hopeful scenario comes true and if Mr Clinton suffers some unexpected setbacks. There is another factor. His whole election strategy was predicated first on breaking the Republican monopoly on the south and its borders. Of the six elections held after the impact of the 1964 Civil Rights Act was fully digested, the only Democratic victory was achieved, in 1976, with a southerner on the ticket. Put another way, the Republicans gained an inherent advantage in the south which meant that any Democrat needed to carry about two-thirds of the remaining states to have a chance of victory. If Mr Clinton does not make his southern breakthrough, the old electoral mathematics prevail.

In any event, the industrial heartland battleground is crucial. This is a part of the country which has increasingly split its preferences, voting for Republican presidents and state governors and Democratic senators and congressmen. Even in 1976, Jimmy Carter eked out only narrow victories in Pennsylvania, Ohio and Wisconsin, losing elsewhere. Mr Bush took them all except Wisconsin four years ago, though he trails in most of them today.

● How will Perot do and whom will he hurt most?

There is no clear answer to either question, except that he will not win the presidency and will not, barring a miracle, force the election into the next House of Representatives. Nobody before has tried to buy an election outright. John Connally's attempt in the Republican primaries of 1976, where he spent the odd million to win one convention delegate, does not compare with Mr Perot's personal outlays of well over $60m, almost all of it on television advertising, more even than the other two.

Independent or third-party candidacies invariably flourish, flatten and wither. Mr Perot's "second coming" in the last month of the campaign may conform to this pattern but it would require a big shrivelling now for him to fall back to single-digit irrelevance. His support is drawn heavily from those previously outside the political process. If they sense he cannot win, they may stay at home as usual.

Most of them seem more conservative. Admiral Stockdale, his nominal running mate, and Orson Swindle, his campaign director, are far more critical of Mr Clinton than Mr Bush, but Mr Perot's particular venom is more directed at the president.

The only half-safe rule of thumb, borne out by the latest polls, is that the better Mr Perot does, the more he hurts Mr Clinton; the worse he does, the more he hurts Mr Bush. At any level, he may spell the difference in Texas and Florida, which would hurt Mr Bush, and in Michigan and Ohio, which would more damage Mr Clinton. He will do best in the south-western and mountain states, until now solid Republican territory, but Mr Steeper claims that there is no state which Mr Perot can hand to either candidate.

● Is there any chance that more Americans will vote this year and, if so, what does that mean?

In 1988, barely 50 per cent of registered voters – and barely one-third of those of voting age – cast a ballot, the culmination of a 30-year decline. Partly because of enthusiasm generated by Mr Perot's drives to get on the ballot, partly because of vigorous party registration drives and partly because of the perception that this really may be an important election, turn-out may reach and even exceed 55 per cent this year.

Low participation usually helps Republicans, less numerous than Democrats but more likely to vote. This year the Democrats seem to have been signing up more voters, but so has the Christian right. There does appear, mostly from anecdotal evidence, to be much greater engagement by young people. This segment, once fertile ground for Messrs Reagan and Bush but with problematic current prospects for employment, is now more inclined towards Mr Clinton and, to an extent, Mr Perot.

● What about congressional coat-tails?

Republican hopes for big gains in the Senate and House, based on national discontent with incumbents, have dissipated. The Democrats might get up to 60 seats in the Senate (they now control 57) which would be enough to stop filibusters, while losing only 15 to 20 in the House, where they currently hold a large 268-166 edge over the Republicans, with one independent. There will be a huge turnover, however, with 120 to 150 new denizens on Capitol Hill next January.

Trailing in the polls, Mr Bush was shunned by many Republican candidates, whereas Mr Clinton had far closer identification with his party aspirants, especially a new crop of women. In general, coat-tails – from the presidential candidates down to Congress and vice versa – are not expected to be strong.

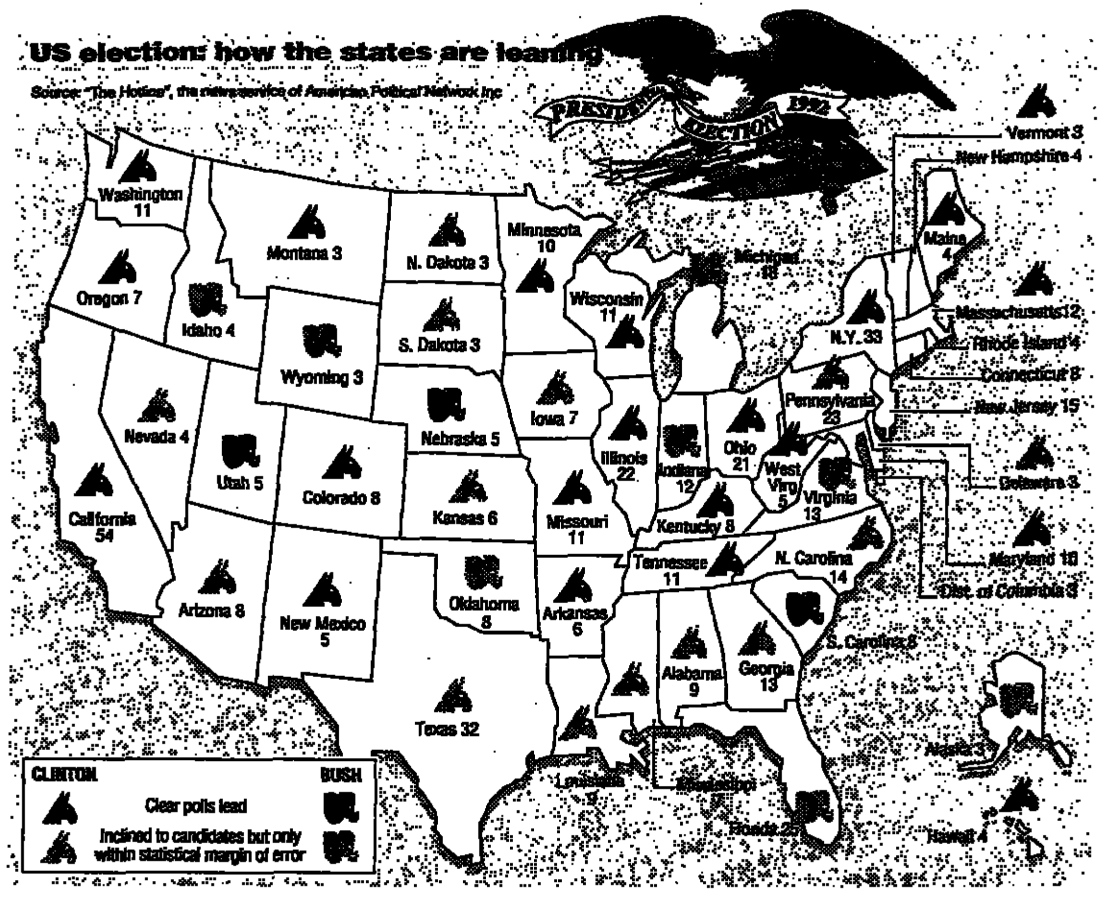
● All right then, in the last analysis, what will decide this election? And who will win it?

Mr Fred Malek, a Bush campaign director, concedes that if the election were merely a referendum on the economy his man would already have lost. Mr Clinton believes that is still the case and that the nation will pass its own negative verdict on "trickle-down" economics and a positive one on his detailed plans for change.

Mr Malek now argues that the electorate is focusing on just two issues – who has the better future plan for the economy and which man has the integrity appropriate for the presidency. Regardless of whether the Bush attacks on Mr Clinton have been fair or warranted – and many have not been – personalities are critical in a presidential election. If Mr Bush wins, it will be because he has undermined public confidence in Mr Clinton.

But elections are also about looking forward with hope to new changes and challenges, and that clearly is the much younger and more articulate Mr Clinton's forte. If Mr Clinton wins, it will be because he has exposed the exhaustion of Republican policies after 12 years in power.

There are no safe bets in this game. The spread remains where it has been for some time – between a comfortable Clinton victory and a narrow Bush one. Either is possible and so is something in between, and there are a lot of racetracks to visit from Michigan to Florida.



Samuel Brittan

Not accountable yet

Norman Lamont's Mansion House speech was a meatier document than usual. Most of the new material was logically second level. That is, it did not contain policy decisions but information on how decisions will be taken.

This, however, has its importance, especially in view of the widespread and justified disquiet about how decisions relating to ERM membership and departure were taken.

Far and away the most important announcement is that the governor of the Bank of England is to provide a regular report in the Bank's Quarterly Bulletin on progress towards the inflation target. It will be made by the Bank rather than the Treasury in the hope that this will increase public confidence in the objectivity of the analysis, although the chancellor and his Treasury team will still see prepublished drafts.

A toenail is thus being put into the bowl marked "independent central bank". The inspiration has clearly been New Zealand, where the Reserve Bank has a contract with the government to pursue a given rate of inflation which it can only override in carefully pre-stated circumstances.

In the UK, however, there is still to be neither contract nor independence of action. To provide an incentive for improved policy, a specific person or group, preferably at one stage removed from the political process, needs to be personally accountable for monetary policy – and not for other subjects such as financial regulation.

Indeed the move may turn out to be a retrograde one if it is treated as a substitute for a new Bank of England Act, giving the Bank specific tasks. A simple reshuffle of responsibilities among the team who gave us Black Wednesday, with all decisions supposedly coming as acts of judgment fully grown from the chancellor's head, like Athene from the head of Zeus, will not meet the bill. The curse of the British establishment is that everyone is jointly responsible for everything and no one is responsible for anything in particular.

Another innovation, to which I can give only a tepid welcome, is the proposed forecasting panel of between six and 12 outside experts which will publish a report three or four times a year.

The idea goes back to a paper entitled Disarming the Treasury, written by Alan Budd – now the Treasury's chief economic adviser – in the late 1970s. But a big difference is that, in the original Budd paper, the Treasury would cease to be a forecasting organisation, which would make a big difference to its whole outlook and ethos.

Everyone is jointly responsible for everything and no one is responsible for anything in particular

I supported Budd's original proposal, not because I was enamoured of forecasting but because, as the title suggested, it might reduce the role of an official Treasury which then did not accept that inflation was a monetary phenomenon and based its hopes on incomes policy. But the proposal in which I had my heart was for a Council of Economic Advisers which would be concerned primarily with policy analysis and which was proposed jointly by Peter Jay and myself to a parliamentary committee in the early 1970s.

My fear about the new forecasting panel is that it will strengthen the preoccupation with short-term forecasts, held even more by the Treasury's critics as by the Treasury itself, and the profoundly misguided view that making such forecasts is what economics is all about. Something might be rescued from the idea if, contrary to present intentions, there were one or two members of the panel who did not operate a forecasting model and made up their minds on some other basis.

One such basis is suggested by Nigel Lawson in his forthcoming book, The View from Number 11 (to be published on Thursday by Bantam Press at £20). It does not appear in the conclusions, but almost as throwaway remarks in a chapter on the background to the 1988 Budget:

● Repeal the "absurd 1975 Industry Act requirement that the Treasury must maintain a forecasting model".

● Meanwhile adopt a conventional assumption that the immediate future will be a repetition of the immediate past – in the present instance that the recession will continue to deepen.

● Never forecast a turning point because it will probably not occur in the year in question.

● Efforts should concentrate on establishing what in fact has happened in the recent past.

● Decisions "should be based as little as possible on short-term forecasts or even on the suggested conventional assumption".

These off-the-cuff ideas are fallible and imperfect. Improving them would make a more useful task than poring over yet more sets of futuristic numbers.

Best of all would be if all members of the proposed panel had to pass an examination in Sir Karl Popper's Poverty of Historicism, from which they would learn the difference between genuine social science and crystal-gazing dressed up with numbers.

The costly image in the corner of the office

Michael Cassell explains how the photocopier can become a source of losses for some British companies

It can come as a shock when the company secretary learns that the photocopier in the corner is costing more to run than the managing director's Jaguar.

But the modest piece of machinery, churning out images with the help of a photo-sensitive drum, has reproduced a financial nightmare for many British companies.

For some small businesses, its installation has proved ruinously expensive and led to bankruptcy. Mrs Ann Orchardson shut her office services business in Glasgow after succumbing to the "sharp practice" of a copier salesman.

Other, larger organisations have made lengthy and costly efforts to have their machines removed. One London company has been confronted with a demand for nearly £500,000 after trying to hand back 30 machines. And Mr Paul Winner, head of a London public relations company, was told it would cost £135,000 to return two ageing photocopiers worth £7,000 each when new. Chelsea Football Club, Guinness, British Airways and several councils and health authorities are among those reported to have had complaints.

The Confederation of British Industry says hundreds of companies and organisations have been caught out by the photocopier "scam".

The problem lies not with the machines themselves but with the "copy plan" agreements. These amalgamate the capital cost of financing the equipment with its running costs, to give a charge for each copy run off the machine. Customers are freed from the business of choosing, operating and buying machines by signing a contract for a specified number of photocopies each month at a negotiated price per copy.

Mr Alan Kay, a Worcester-based accountant, rues the day his practice signed a copy plan: "The scheme is a licence to rip off businesses. A deal which is sold in terms of pennies and invariably signed by someone with little authority can end up costing a fortune."

But the formula has proved attractive. Estimates suggest that there are up to 250,000 copy plan agreements in force in the UK, representing a £1bn-plus market which has been growing rapidly.

Copy plans have been welcomed as a marketing ploy by some photocopier manufacturers, dealers and leasing companies which finance the packages. Some leasing companies are owned by large financial institutions. Their parentage, however, has not prevented claims that some of their activities are anti-competitive and highly questionable. One regional fraud squad, along with the Inland Revenue, has been examining the activities of one large leasing subsidiary.

Following an investigation last year by the Office of Fair Trading into the selling practices of one photocopier distributor, the industry was thought to have cleaned up its act.

But a renewed wave of protests from customers suggests that widespread abuses remain. The Department of Trade and Industry will shortly raise the issue with the OFT.

Customers complain that copy plan contracts involve the ultimate in "small print" deception, concealing enormously expensive obligations in the guise of flexible business agreements. Among the most regular criticisms are:

- contracts which run for seven or even nine years, several times longer than the average life of the equipment;
- hidden annual increases in copy costs;
- any variations in the agreement can mean a completely new contract, of which the customer is often unaware;
- the cost of settling old agreements is added to the undisclosed capital value of new equipment;
- the total cost of a contract is not disclosed.

The Finance & Leasing Association claims most current complaints are the legacy of old, unsatisfactory contracts. It says new forms of contract now in use mean the problem has largely been overcome.

In January, the association issued guidance notes for members to ensure leasing documentation is clear and concise, along with advice for customers. It also says leasing deals should not extend beyond the reasonable working life of the equipment.

Mr Neil Grant, director of the association, says it has received no complaints since the new guidance notes were issued, and stresses that any companies breaking the code will have membership withdrawn.

"There are 400,000 copier agreements in existence and the rate of complaints involving copy plans has been around 1 per cent. There will always be sharks out there. Customers must be sure they are fully aware of what they are signing."

When faced with the threat of litigation, some suppliers walk away, even deserting their equipment

The association, however, only represents about 80 per cent of the finance and leasing sector, and some of the biggest operators in the photocopier market are not members. One is Southern Business Group, the photocopier supplier which, unlike most of its competitors, provides equipment and necessary finance. The company has come under criticism in the past for some of its contractual practices, but now offers copy plan contracts which it says are retrospective and no longer hold any nasty surprises. SBG, however, still expects its customers to sign up for nine years.

Mr David McErlain, SBG managing director, claims misrepresentation and even fraud are still rife among some copy plan companies. "The problem continues. Even if contracts are cleaner, a lot is down to the tactics of the salesman. The OFT has an awesome weapon at its disposal, the removal of consumer credit licences. It must use it for the sake of the whole industry."

Mr Marcus I'Anson, a director of UTAX (UK), which imports photocopier machines, says copy plans continue to damage the copier industry and should be strictly controlled. "Copy plans remain an easy route to an awful lot of money for the finance companies involved. The clandestine nature of these contracts makes it ridiculous to claim *caveat emptor*."

Growing unease about bad publicity has led Canon, the Japanese manufacturer, to endorse copy plan contracts which it regards as fair. Rank Xerox has just launched an improved code of conduct which it hopes other equipment suppliers will emulate.

Pressure is also mounting for changes in the law to eradicate the copy plan problem. The Campaign to Clean Up Copier Contracts is working with the Association of Electronics, Telecommunications and Business Equipment Industries on a code of good practice.

It also wants ministers to extend to companies and other organisations the same level of protection available to private individuals under the Consumer Credit Act. This would include a two-week "cooling-off" period.

Critics of copy plan schemes emphasise that victims of unfair agreements should not assume they are helpless. There is evidence that, when faced with the threat of litigation, some suppliers walk away, even deserting their equipment.

According to Mr Neil Aitken, a partner with McKenna, the solicitors, customers must take advice on the terms of their contracts before giving in to a copy company's demands. He says that grounds for challenging copy company claims can include misrepresentation and defences under the Unfair Contract Terms Act.

Some leasing companies appear reluctant to pursue a contract claim through to judgment, however. Though they might win, their reputation could be damaged. Further blots on the copier business would not be welcome.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Decision on piggy-back freight ridiculous

From Mr Alan R Titchener.

Sir, It is ridiculous that there will be no upgrading of rail lines to take "ro-ro" piggy-back lorries and freight from the continent on British tracks ("Rail switch for channel ruled out", October 28).

This association was instrumental some years ago in putting forward evidence to the government that it would be preferable to have a twin-bored tunnel link with a sufficient bore to take such freight transport – and that this would be better than the proposed BR "mouse-hole" with a single tunnel passenger train facility. This was in October 1980. Now, after 12 years, a main *raison d'être* of the tunnel has been taken away at a stoke.

There are reasons why lorry drivers may prefer ferries – mainly because it provides a rest period on the tachograph. The knock-on effect, however, will be to restrict benefits of the tunnel being expanded to areas of the country away from the metropolis and from the south-east; particularly economic help to the north-east, north-west, Tyneside, etc. Apart from unnecessary delays in decisions and their implementation, this news must be the last straw for many businesses which will now either move to north-east France or not move to our development areas, as the case may be.

There are other reasons for transfer of freight to rail transport – particularly environmental ones such as preservation of fossil fuels.

The tunnel links in all forms have been subject to short termism. We feel that the authorities should now look ahead over 20 and 30 years and more and look to a proper infrastructure. All this at a time when within two months the first train will be run through the tunnel.

Alan R Titchener,
chairman,
Channel Tunnel Association,
44 Westbourne Terrace,
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London W2 3UH

Bailing out mortgage holders short-sighted expediency

From A Doyle and M Turner.

Sir, One cannot help but agree with the general thrust of Samuel Brittan's argument (Economic Viewpoint, October 29) that the relative stances of monetary and fiscal policy in the UK need to be reversed. Cutting benefit payments amounts to a tax on the poor – undesirable at any stage, but especially so now.

New capital infrastructure such as the Jubilee Line extension is likely to be built at least partly with public funds at some stage anyway, so it seems eminently sensible to pay for it now at reduced prices rather than later when capacity is stretched.

But to argue for the bailing out of mortgage holders through the nationalisation of the bad debts of the banks and building societies is to argue for nothing less than short-sighted expediency. Wiping away even part of the current housing-related bad debts of the banks and building societies would water down the prime factor likely to prevent a resumption of an uncontrollable housing book, unlikely as this may seem in the current depressed climate. This is especially so since the UK is (happily) no longer within the constraints of the exchange rate mechanism. Likewise for greater relief on mortgage interest for those with negative equity. This amounts only to a subsidy to property owners, the vast majority of whom could well do without any subsidy.

The direction of policy should rather be to remove this distortion altogether, although not until a resumption of growth allows the deflationary effects of such an abolition to be minimised.

A Doyle,
M Turner,
20 Green Street,
Sunbury-on-Thames,
Middlesex TW16 6RN

Real interest

From J W Seabright.

Sir, On April 9 last year you published a letter from me alerting you to the "de-linking" by the clearing banks of loan rates from base rate which resulted in small businesses being asked to pay a real interest rate of 8.5 per cent over the then base rate of 12.5 per cent.

The situation has hardly improved: my bank (Lloyds) now quotes a monthly rate for small businesses of 1.17 per cent (APR 14.98 per cent) plus an arrangement fee of 1 per cent per annum – a total of nearly 8 per cent over base rate. It may not be usury but perhaps it explains why many small businesses are reluctant to invest or are even going to the wall?

J W Seabright,
chairman,
Teamband,
Nettlebed,
Henley-on-Thames

Not the Dan Quayle version of competitiveness

From Mr Albert R Brashear.

Your story on George Fisher ("Voice of high-tech challenge", Monday Interview, October 26) identifies him with Vice-President Dan Quayle's Council on Competitiveness. Unfortunately, we in the US have competing competitiveness councils of the same name, so the error in the article is quite understandable.

Mr Fisher is actually chairman of the private-sector Council on Competitiveness, a non-profit, non-partisan organisation of chief executives from business, higher education and organised labour working to improve the ability of American companies and workers to compete internationally. The council focuses on competitiveness issues in areas such as science and technology, investment, international economics and trade, and human resources. Your article presents an excellent summary of the council's – and Mr Fisher's – position on these issues.

Mr Quayle's council appears to be concerned primarily with the effects of government regulation. For further information, you might check with the vice-president.

We have also heard of a third organisation dedicated to the elimination of five-syllable words, but as far as we know, that group hasn't come up with a name.

Albert R Brashear,
vice-president and director,
public relations and
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No need for common environmental standards

From Prof Roland Vaubel.

Sir, With reference to your article, "Brussels' green sprouts" (October 21), it is not true that the single European market requires common environmental standards. It has been shown that the demand for environmental protection depends on income, the density of population and several other characteristics.

The member countries differ widely in these respects. Environmental prices ought to vary accordingly. This conclusion holds also for international spill-overs. Ideally, each country should apply its domestic environmental prices to pollution from abroad as well. The Community would merely supervise the measurement of, and payments for, international pollution. International differences among environmental standards or prices do not distort trade. They are necessary to allow for differences in preferences and factor endowments. Harmonisation is the distortion.

Roland Vaubel,
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OBSERVER

Personality change

■ UK psychiatrists might do well to gear up for an influx of custom from the National Westminster Bank.

Since NatWest Markets was set up earlier this year, from elements including the Blue Arrow-bedevilled County NatWest investment bank, there have been promises of a new corporate identity to which staff are being introduced this morning.

It turns out that the specialist consultants hired for the job trawled through every name that has been part of the bank's history in the past 300 years... then decided the outfit should go on being called NatWest Markets.

But at least they've come up with a new logo: the monogram NWM against a dark blue (yes, blue) background. The reason they didn't just settle for sharing the NatWest Bank emblem is officially that the aim of the exercise is to distinguish NWM's institutional client service from the high-street banking operation. So don't go thinking that those prominent arrow-heads in the clearer's logo have anything to do with it.

How do the staff feel about the "contemporary and self-confident solution"?

Straight-talking Martin Owen, who took over as the new outfit's chief executive in June, confesses: "NatWest Markets is not a name I would have wanted. I would have preferred something more descriptive of what we do – 'Markets' smacks of traders." Oh dear.

Still, that perhaps explains why the identity is to undergo further "reinforcing" by such means as sticking "corporate and investment banking" under the NWM monogram. And for anyone who doesn't find that confusing enough in itself, the sad news is that worse confusion underlies it.

For example, the County NatWest name has not disappeared entirely. It is to be retained for investment management operations and – wait for it – the corporate finance department.

The consultants found that while NatWest staff as well as the media were cynical about the County tag in the wake of Blue Arrow, the clients were happy with it. "That surprised us as well," says Owen.

Stone-thrown

■ As perhaps befits a trustee of the Thatcher foundation, media don Norman Stone was in robust form during his London lecture on the Balkan crisis and the protection of minorities.

Arriving 40 minutes late, the Oxford professor of modern history began by explaining he did not believe in minority rights. As a Scot, he had prospered in England with "no rights whatsoever".

He then proceeded to advocate "the Balkanisation of everybody", suggesting *en passant* that Serbo-Croat was "an invented language, slightly less authentic than Hebrew".

The Serbian problem, he went on, could be quickly solved "if we recognised evil when we saw it and dropped a bomb on it". He concluded that Germany should be urged to undertake this task since no other power was sufficiently interested.

All of which somewhat threw his audience at the Institute of Jewish Affairs, which had arranged the event. "I feel sorry for his students, they must be so confused," was the kindest comment overheard as the listeners, many of them old enough to remember the second world war, went incredulously away.

Power player

■ When it comes to finding new jobs, Maurice Strong seems to be something of a masochist. The energetic Canadian who struggled to give focus to the over-ambitious Earth Summit in Rio last June is now returning home to take the reins of Ontario Hydro, one of North America's biggest (and most troubled) power utilities.

His 20-year involvement with international environmental issues contrasts with a chequered career in Canada. In the 1970s, he was close to ex-premier Pierre Trudeau who made him the first chairman of the national energy company, Petro-Canada. But a bid to enter national politics was aborted after one of Strong's outside businesses ran into trouble.

His versatile experience should have forearmed him for the turbulence at Ontario Hydro. The government-owned utility, one of North America's heaviest offshore borrowers, has been stretched to the limit by cost overruns and technical problems at its nuclear power stations. Its electricity rates have been pushed up by almost 20 per cent in the past two years.

There's not much doubt which way Strong will be leaning when he has to choose between the environment and the bottom line.

Odd angle

■ A catch question in future exams on the history of women's progress in the workplace might well be: Which European Community ministers signed the EC's recently adopted directive on pregnant workers?

The obvious answer, of course, is the social affairs ministers. In fact, the signing was done by their colleagues in charge of fisheries.

It emerges that agreement on the directive was reached only just before the deadline for signature a fortnight ago, and the social affairs supremos could not be mustered in time to save the day. If the fisheries ministers had not stepped into the breach, the directive would have been still born.

Take-away

■ Despite the trials and tribulations in their own domestic economy, Indians are not only riveted by the current chaos in Britain, but relishing it. Witness the Times of India's cartoon showing a civil servant giving a minister last-minute advice before he meets a visiting British mission.

"Remember not to ask for any help from this high-powered economic delegation from the UK, sir," says the bureaucrat. "It's here to seek aid from us."

FINANCIAL TIMES
Monday November 2 1992

Ariane accuses US of unfair bias over satellite contracts

By Daniel Green

THE US government is putting unfair pressure on international satellite operators to place launch contracts with Russia and China, the chairman of Europe's Arianespace has claimed.

Mr Charles Bigot said Washington had "political reasons" for pressing Intelsat, the world's biggest independent operator of telecommunications satellites, to consider such launches. Intelsat is an international co-operative owned by 120 national telecommunications companies such as privatised British Telecom and state-owned France Telecom.

In an interview Mr Bigot identified two main benefits for the US of encouraging the flow of contracts to China and Russia. The US wanted to improve political goodwill with these new business partners, and to dilute competition to its own satellite launch companies, he said.

In the last decade Arianespace has overtaken US rivals and now dominates the market.

Mr Bigot pointed to the US decision in September to allow the export of the first US-built Intelsat satellite to China for launch in 1995. This followed the US sale of F-16 fighter aircraft to Taiwan, to which China had objected. Washington controls where US-made satellites are launched through the granting of export licences.

Mr Bigot said Washington was using Comsat, the US official body with a 23 per cent stake in Intelsat, to press its case. Intelsat denied, however, that Comsat exerted undue pressure. "As an international organisation we have an obligation to consider international bids," it said.

Nevertheless, Comsat's legal staff acknowledged that the US State Department "regularly takes a note of of Comsat's position to ensure it is not inconsistent with the US government's position."

Further international launch contracts, worth up to $200m, are at stake over the next few weeks as the governing board of Intelsat meets in December and the board of Inmarsat, a parallel body that operates satellites for mobile telecommunications, meets later this week.

China and Russia are challenging the established launch companies in the US as well as Europe's Arianespace, despite their absence of a track record in the commercial satellite business. For Russia, an Intelsat contract would mean its entry into the lucrative western commercial space market.

The row, which has been brewing for months, centres on the price of a launch. China and Russia charge about $30m, compared with $60m-$100m for Arianespace or the US companies McDonnell-Douglas and General Dynamics.

Going, going, gone: an auctioneer confirms bids for one of the 60 used trucks which were sold off in Nizhny-Novgorod in a successful test run for the country's newly introduced privatisation vouchers

Truck sale ushers in voucher privatisations for Russians

By Leyla Boulton, recently in Nizhny-Novgorod

SIXTY battered trucks, parked around the Lenin statue in the Russian city of Nizhny-Novgorod, were sold off at the weekend in a successful test run for the country's controversial privatisation vouchers.

The theatrical flair of the bow-tied auctioneer in the city, Russia's third biggest and its unofficial laboratory for market reforms, made *privatisatsia*, usually a subject of fierce theoretical debates, an exciting reality for ordinary people.

The trucks were said to be surplus to the requirements of state-owned transport companies.

"Here is Russia," thundered Mr Sergei Maslov, pointing to the 500 participants, from struggling private farmers to smart new businessmen, as they raised their bidding cards at the start of Saturday's auction in a vast hall which once hosted provincial fairs in pre-revolutionary Russia.

The first Russian to spend a voucher was Mr Sergei Demyanov, a physicist turned businessman, who was so delighted that he said he did not care if his lorry failed to make it home. But Yuri, a car plant worker who wanted a truck to carry produce to the market from his small plot of land, left in despair saying the prices were too high.

Ever since the government began distributing vouchers to Russia's 165m citizens a month ago, they have been selling on the unofficial secondary market for well below their face value of

Russia's true power broker ....Page 32

Rbs10,000 amid criticism that the whole scheme is above the heads of ordinary Russians. Successful bidders, however, were able to obtain big discounts by buying vouchers from poorer citizens for Rbs2,000 to Rbs3,000, or in some cases for just a bottle of vodka.

"It's a myth to say that the Russian people have no idea what to do with their vouchers," Mr Vladimir Shumeiko, the deputy prime minister, told a news conference after the auction. "If somebody exchanges their voucher for a bottle of vodka, it's his problem but he's no citizen."

The auction, at which half the price of a truck could be paid for with vouchers and the rest with cash, and which will be followed by more lorry sales, also marked the launch of a model plan to break up Russia's state-owned trucking monopoly.

Ranging from a brand-new Kamaz lorry that fetched Rbs1m to the cheapest, oldest vehicle which went for Rbs110,000, the trucks were described as excess capacity hived off from 42 local transport companies which are themselves due to be privatised.

The new trucking companies, once locked into one monopoly for the whole Nizhny-Novgorod region of 3.7m people, are to be allowed to set their own prices and compete with each other in a bid to improve the distribution of food and goods.

The only snag was that the government had initially planned to reserve the vouchers for the sale of shares in medium and large-scale enterprises. That this is a more difficult task was illustrated by the fact that the Nizhny-Novgorod authorities have yet to organise the sale of the trucking enterprises which parted with the trucks.

The obstacles facing privatisation in Russia were underlined by the fact that Saturday's auction was only possible through lobbying by Mr Boris Nemtsov, the region's dynamic governor, and the skills of the International Finance Corporation, the World Bank's investment arm.

Autonomy of City's regulatory bodies may be eroded

By Robert Peston

THE CITY of London's cherished principle of self-regulation – regulation by practitioners for practitioners – could be eroded, following a review of the power and methods of the Securities and Investments Board, the financial regulator.

Mr Andrew Large, SIB chairman, said that his investigation, commissioned by the Treasury, is far more wide-ranging than is widely believed. He said there would be a "clear shift to a less self-regulatory basis".

He added that he may ask the government for sweeping new powers to mount civil litigation against alleged City wrongdoers, along the lines of the powers held by the US Securities and Exchange Commission.

Separately, Mr Large is examining whether it is appropriate for the stock exchange to retain its regulatory responsibilities, for listing shares and tracking suspected insider dealing, or whether these responsibilities should be transferred to the SIB.

Transferring these roles could both boost SIB's standing in the City and also allow the exchange to concentrate on its prime role of maintaining an efficient market. Mr Large stressed he was some way from making a recommendation on this question.

In July, Mr Norman Lamont, the Chancellor, asked Mr Large to undertake a review of how the SIB carries out its responsibilities under the Financial Services Act. The review was, in part, prompted by the failure of City regulators to prevent Mr Robert Maxwell from looting the pension funds of his companies, including Mirror Group Newspapers.

Mr Large, who plans to submit his report at the end of March, said he was "concerned that the enforcement procedures are too complex and fragmented and that punishments have not been enough".

He believes the self-regulatory organisations, which have direct responsibility below the SIB for supervising securities and investment firms, should levy bigger fines on firms which break City rules. But he is concerned that prosecuting alleged frauds through the courts is slow and the outcome uncertain even when prosecutors' case is strong.

He said that in cases of market manipulation – either insider dealing or other unfair methods of profiting from share price movements – the SIB should perhaps have powers to mount civil prosecutions. Market manipulation and insider trading are criminal offences, but the burden of proof required for a successful prosecution in a civil case is far less than in a criminal case.

Mr Large hopes to make the SIB and the SROs more aggressive in monitoring of financial firms and the pursuit of fraud.

Interviews with Andrew Large, SIB chairman, and Richard Breeden, SEC chairman, will appear tomorrow

SIB rethink, Page 8

BA and USAir warning

Continued from Page 1

purchasing policy after the UK airline placed a £3bn order with Boeing for new Boeing 777 wide-body aircraft instead of Airbus airliners. BA also chose US General Electric engines to power its 777s rather than UK Rolls-Royce engines.

After losing the BA order, Mr Pierson banned all Airbus staff from flying on BA aircraft.

Although no decision has been taken, a US rejection of the USAir deal could lead BA to reconsider its aircraft purchasing policy in favour of Airbus. Relations between the UK airline and Airbus also appear to be improving following a recent meeting between Sir Colin Marshall, BA's chief executive, and Mr Pierson.

A decision by BA and USAir to switch their allegiances would be all the more significant because of the depressed state of the civil aircraft market. Mr Schofield said the biggest three US carriers, United Airlines, American Airlines and Delta Air Lines, which have all lobbied furiously against the BA-USAir deal, have bought Airbus equipment.

Sir Colin, in Montreal for the International Air Transport Association annual meeting, warned yesterday that if the USAir deal was not approved "the US administration will have destroyed all momentum towards liberalisation on the north Atlantic".

Major's test

Continued from Page 1

Mr Major and Mr Douglas Hurd, the foreign secretary, yesterday as both attempted to stress the importance of ratification of the treaty for the economy.

In an article in The News of the World, the prime minister claimed that Community membership had brought "a tidal wave of job creating foreign investment", adding that it would be a disastrous mistake for Britain to walk away from it.

Leading Tory Euro-sceptics, however, expressed confidence that there was no erosion of their support, despite Mr Major's well-received speech to backbenchers in the Commons last week.

THE LEX COLUMN

Polling stations

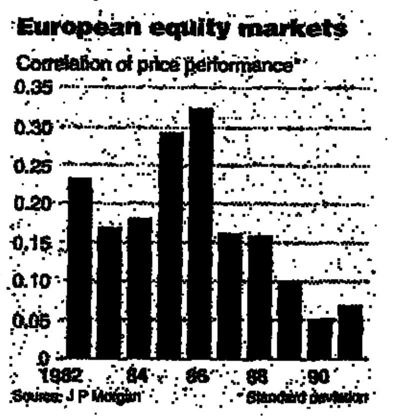
With the outcome of the US presidential election so uncertain, many investors have withdrawn to the sidelines. But some trends seem clear, whoever wins tomorrow. The German and Japanese economies continue to slow, so lower interest rates in the two other large economies are only a matter of time. That should help bolster the dollar, even if the Federal Reserve decides to cut interest rates another notch. Oddly enough, with Bill Clinton seen as the candidate more likely to produce growth, and ultimately higher short-term interest rates, the dollar may rally more strongly on a Democratic victory than a Republican one.

Bond market reactions are likely to diverge more sharply. In recent weeks long yields have moved up from 7 per cent to more than 7.6 per cent in anticipation of the spending plans of a victorious President Clinton proving more concrete than his revenue-raising measures. On current projections, Mr Clinton's strategy might increase the budget deficit from about $300bn to $360bn: as a result long bond yields could rise by a further 0.5 to 0.75 per cent. However, it is always possible that the extra spending could boost growth, and thus government revenues, more than expected. If the market took that view, bond yields might stay under 8 per cent. Should the unexpected happen and President Bush get back, long rates might edge back towards 7 per cent.

As with the dollar, US equities may rally on either outcome if for no other reason than prospects are poor elsewhere. International funds may be attracted by relatively high economic growth of 2 to 3 per cent in 1993. But the performance of stock market sectors is likely to vary. Pharmaceutical profits are a well-known Clinton target and prices may already have over-reacted. But capital goods and construction companies would benefit from increased infrastructure spending and capital goods tax allowances. Cyclical stocks would stand to gain from higher growth. It seems clear that with consumers still heavily indebted, capital investment will have to provide a large part of any initial US recovery. A Bush victory would be less likely to produce that.

European equities

Investment strategies based on convergence of European bond yields have been a well-trodden path for the past five years. But equity markets have been staging a quiet convergence of their own. As the chart shows, European equities have been moving in closer step since 1986. As with bond markets, though, the question must now be whether closer correlation can survive the threat of recession and strains within the exchange rate mechanism.



For stock markets whose currencies are out of the ERM, greater unison seems a distant prospect. The FT-SE has outperformed the German market by 15 per cent since sterling started floating freely again. Even within the core of European countries still linked to the D-Mark, though, recession is likely to result in a wider divergence in equity performance. For one thing, governments will be seeking greater flexibility in fiscal policy. With the future of the treaty already in doubt, the Maastricht criteria on government borrowing will hardly be at the front of finance ministers' minds. That said, so long as interest rates in the core ERM countries are effectively set by the Bundesbank, bond yields should remain close to those of Germany. To the extent that bond yields influence equity yields, equity markets will find it hard to plough their own furrow for long.

If the core European equity markets do continue to march in step, investors merely need to keep an eye on those getting ahead or falling behind. A simple extension of convergence argument is that equity investors should behave more like bond market investors – trading on the basis of the relative valuations just as bond-investors trade yield differentials. Traditional research-led investors will doubtless see this as a heresy. But if the differences between countries and currencies have become less important they can always spend more time looking at the differences between stock market sectors and specific stocks.

Tomkins/RHM

Personalities apart, it is the two very distinct views of UK milling and baking which makes the tussle for Ranks Hovis MacDougall (RHM) so absorbing. On one side are those who claim the industry is stuck in a long-term decline, plagued by complex structural problems and the fast-changing patterns of retailing and distribution. On the other side are those who say the sector is approaching the low point in the cycle, that shorn of a bit more capacity it can still deliver respectable, if not wildly attractive returns.

Hanson and Tomkins, whose bids were both made with the retention of RHM's core activities in mind, naturally incline to the latter thesis. Back-of-the-envelope calculations, though, suggest Hanson's 220p per share cash offer – assuming he recouped most of the money by selling RHM's brands – would have allowed him to acquire the milling and baking for a song. By contrast, Tomkins' offer of 270p (including a 10p dividend) appears to leave little margin for error if anything goes wrong.

Certainly the idea that there is huge overcapacity in UK milling is an old story. RHM has already done much to redress the balance itself, and is an efficient player. But the fact remains that flour is a commodity product, subject to external variables like the size and quality of the harvest. That said, baking is indeed the trickier problem. At the moment RHM appears caught between low-cost independent bread producers on the one hand, and market leader Associated British Foods on the other. Given that ABF is run more like a private than a public company – and has cash flow from sugar coming out of its ears – there seems little reason to suppose it will suddenly abandon its aggressive pricing policy. Tomkins ought to be able to make large acquisition provisions if it chooses, but will be unable to protect earnings per share indefinitely.

The City may not worry so much about Tomkins' claim that its expertise in mowers and push bikes will help revive RHM's food brands. There will presumably be willing buyers on hand. But savings at the Windsor head office apart, investors are likely to require more persuading that RHM will respond to the conglomerate treatment.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	12	54	Frankfurt	C	2	36	Majorca	F	14	57	Oporto	S	13	55	Tenerife	C	20	68
				Brussels	S	9	48	Geneva	C	8	46	Malaga	S	17	63	Oslo	R	3	37	Tokyo	C	17	63
				Budapest	F	10	50	Gibraltar	S	18	64	Malta	F	25	77	Paris	Fg	3	37	Toronto †	S	-2	28
Ajaccio	F	16	61	Buenos Aires	F	25	77	Glasgow	F	10	50	Manila	F	29	84	Prague	C	2	36	Tunis	C	23	73
Algiers	S	18	64	Cairo	S	31	88	Helsinki	F	3	37	Melbourne	C	13	55	Reykjavik	C	3	37	Valencia	F	15	59
Amsterdam	-	-	-	Cape Town	-	-	-	Hong Kong	S	27	81	Mexico City	C	23	73	Rhodes	S	28	82	Venice	F	13	55
Athens	S	24	75	Caracas	F	31	88	Innsbruck	S	11	52	Miami †	F	24	75	Rio d'Janeiro	R	28	82	Vienna	S	7	45
Bahrain	S	28	82	Casablanca †	S	19	66	Inverness	R	7	45	Milan	R	12	54	Rome	F	24	75	Warsaw	F	3	37
Bangkok	C	29	84	Chicago †	R	7	45	Islamabad	F	27	81	Montreal †	S	-6	21	Salzburg	S	11	52	Washington †	Dr	8	46
Barcelona	C	11	52	Cologne	S	7	45	Istanbul	S	23	73	Moscow	F	-6	21	S'Francisco †	C	17	63	Zurich	C	6	43
Beijing	S	10	50	Copenhagen	F	6	43	Jakarta	R	32	90	Munich	C	5	41	Seoul	S	13	55				
Beirut	S	28	82	Corfu	S	23	73	Johannesburg	F	21	70	Nairobi	F	22	72	Singapore	-	-	-				
Belfast	F	9	48	Dallas †	C	18	64	Lisbon	S	15	59	Naples	S	23	73	Stockholm	F	4	39				
Belgrade	F	11	52	Dublin	S	10	50	London	C	11	52	Nassau	C	30	87	Strasbourg	Fg	2	36				
Berlin	C	2	36	Dubrovnik	-	-	-	Los Angeles †	S	15	59	New Delhi	S	29	84	Sydney	F	19	66				
Biarritz	C	11	52	Edinburgh	S	9	48	Luxembourg	Fg	0	32	New York †	C	6	43	Taipei	F	25	77				
Bombay	S	32	90	Faro	S	18	64	Madeira	C	17	63	Nice	R	14	57	Tangier	S	16	61				
Bordeaux	S	11	52	Florence	R	15	59	Madrid	S	12	54	Nicosia	S	29	84	Tel Aviv	S	31	88				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

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INSIDE

London's leading role challenged

Competition to London's investment banking industry is coming increasingly from Continental Europe rather than from North America and Japan, and London's role as an international banking centre may be challenged, according to a study from Price Waterhouse Management Consultants. Page 19

US investor confusion

US bond investors have been behaving in a most contrary fashion over the past few days. This is as much a reflection of confusion over the likely outcome of tomorrow's presidential election, than it is the result of a clear-eyed investment strategy. Page 20

Sweden tackles bank crisis

Sweden will this week announce plans to set up a special authority to tackle the crisis in the country's banking sector. The move is part of a package of measures designed to shore up the battered financial system and strengthen foreign confidence in it. It follows concern that credit losses for Sweden's banks could reach SKr100bn ($17.7bn) over the next few years. Page 19

Rate hopes cut German yields

Optimism that the Bundesbank will sooner or later cut interest rates substantially, combined with the safe-haven status of the D-Mark amid September's currency turmoil, explains why over the past two months bund yields have fallen sharply. Page 20

Anthony Harris bids farewell

According to the experts, forest fires do for trees very much what competition is supposed to do for industries: they clear away choked old growth so that new plants can reach the sunlight. The financial Big Bang was supposed to perform a similar brush-clearing service for the capital markets. It certainly wiped out the old City of London. In its place we have a mess, writes **Anthony Harris** in his farewell column. Page 21

Nikon profits fall 82%

Nikon, the leading Japanese camera and precision equipment manufacturer, reported an operating loss of Y248bn ($2bn) for the first six months to September against a profit of Y5.39bn a year ago. The group blamed a steep fall in sales of semiconductor manufacturing equipment. Pre-tax profits fell 81.9 per cent to Y1bn while turnover fell 14.7 per cent to Y104,273bn. Page 19

Market Statistics

Companies in this issue

First City's main subsidiaries insolvent ■ $500m rescue for depositors

US regulators close big Texas bank

By Patrick Harverson in New York

FIRST City Bancorporation of Houston, one of the largest banks in Texas, has been closed down by US regulatory authorities because two of its main subsidiaries are insolvent.

At the same time the regulators have put up $500m to protect depositors. This bailout of First City, with assets of $8.8bn and 900,000 customer accounts in its 20 banks, is one of the costliest ever, and the second time regulators have had to come to the aid of the troubled bank.

Closure of a leading Texas bank comes at a politically sensitive time for President George Bush, who has strong ties to the state. Texas-based billionaire Mr Ross Perot, the independent challenger in tomorrow's presidential election, has criticised the administration for its stewardship of the country's banking system.

In 1988, the Federal Deposit Insurance Corporation (FDIC) spent more than $900m trying to shore up First City. The slump in the local property market and mounting problem foreign loans meant the plan, masterminded by Mr Robert Abboud, former chairman of the First Chicago Corporation, did not stem losses.

After failing to find a partner to save the group, First City unveiled in August a plan to raise capital by selling 13 subsidiaries. Regulators, however, found the plan would not shore up the group's capital.

The final act came after the office of the comptroller of the currency, one of the industry's main regulators, discovered last week that a management-led recovery plan for First City Bank of Houston, the largest subsidiary of the First City group, was inadequate. First City of Houston had only $15m in capital, but needed to make substantial provisions for its reserves to cover potential loan losses.

After deciding to close First City, the FDIC established "bridge banks" to assume deposits, and other assets and liabilities of the group. Full protection will be given to the 16 subsidiaries that had adequate capital, but customers with deposits of more than $100,000 at the four insolvent banks in Houston, Dallas, Austin and San Antonio are expected to face losses.

Regulators will now try to find buyers for some or all of the 20 banks in the group. Industry observers say Chemical Banking Corporation, which already owns a large Texas bank, may acquire part or all of First City.

The closing of First City means regulators have closed 104 banks with assets of $36.6bn this year.

Fokker finds a way to flex its wings

Dasa will be the strong partner Dutch group needs to launch a new generation of aircraft, writes **Ronald van de Krol**

In 1917, the Red Baron, the German World War I flying ace, turned to Anthony Fokker of the Netherlands when he needed quick, flexible flying machines to outmanoeuvre and ultimately shoot down his larger opponents.

Now, 75 years later, the German aircraft industry is poised to take control of Fokker's legacy, the Amsterdam-based Fokker aerospace group, in a bid to boost its role in civil aircraft.

For Fokker, which is itself a past master at waging – and surviving – fierce dog fights with its bigger competitors in the crowded skies of the global aerospace industry, the deal spells the end of its independence. But the company is counting on the financial support of Deutsche Aerospace (Dasa) to help it realise its goal of spawning a "Fokker JetLine" range of regional jets, based on its existing 100-seater Fokker 100.

The Fl 880m ($517m) deal, which will give Dasa 51 per cent control of Fokker, took nearly 10 months to arrange, reflecting Dutch sensitivity to the prospects of one of the country's proudest industrial names being transferred to German control.

The government, whose 32 per cent stake in Fokker gave it the power of veto, worked hard during the negotiations to ensure the Dutch company would not be downgraded to a mere "screwdriver" assembly plant. For Fokker's management, the prize was Dasa's promise that Fokker would play the leading role in looking after present and future aircraft in the 65-seat to 130-seat range.

"This means Fokker will have responsibility for the management and profitability of the entire production process, from conceptual design to customer-related product support activities," the company says.

In essence, the accord gives Fokker the go-ahead to develop the Fokker 70, a 70-seater aircraft which will draw heavily on the existing Fokker 100 and which may be launched as early as 1994. It also brings closer to reality Dutch ambitions for a Fokker 130 in 1997, creating a three-member "jet family" bearing the Fokker name by the turn of the century.

The Dutch government, which came to Fokker's rescue in 1987, told the company from the start it would need a strong industrial partner if it wanted to launch a new generation of aircraft. Fokker has found precisely that in Dasa, part of the Daimler-Benz industrial group.

The German-Dutch link grew out of talks aimed at persuading Dasa – whose Messerschmitt-Bölkow-Blohm subsidiary builds fuselages for the Fokker 100 – to participate in the 130-seater aircraft. Specifically, Fokker hoped to lure Dasa from plans for a rival aircraft to be built with its two partners in the "Regioliner" venture, Aérospatiale of France and Alenia of Italy.

Fokker says it will now be the nucleus of the European regional jet industry. But it knows Dasa has not dropped Aérospatiale or Alenia. Far from it, Dasa will be inviting the French and Italians to take over part of its Fokker stake later in the 1990s, creating a strong European consortium for regional jets of which the Dutch company will simply be one, albeit important, part.

The secure outlook for Fokker's role in jets with between 65 and 130 seats contrasts sharply with prospects for its second existing aircraft, the 50-seater turboprop Fokker 50. The aircraft's biggest competitor is the ATR 42, a joint effort between Fokker's future minority shareholders, Aérospatiale and Alenia.

In the past, Fokker complained that the Fokker 50 was failing to break into the important US market because national subsidies in France and Italy gave the ATR 42 an unfair price advantage. Presumably, it will be a lot less free to criticise in future.

The outlook for the Fokker 50 was the last obstacle in the way of this week's accord between Dasa and the Dutch government. In the end, it was agreed the aircraft's future would be determined primarily by market forces, and that its production could be ended, if necessary, as long as this did not threaten Fokker's survival.

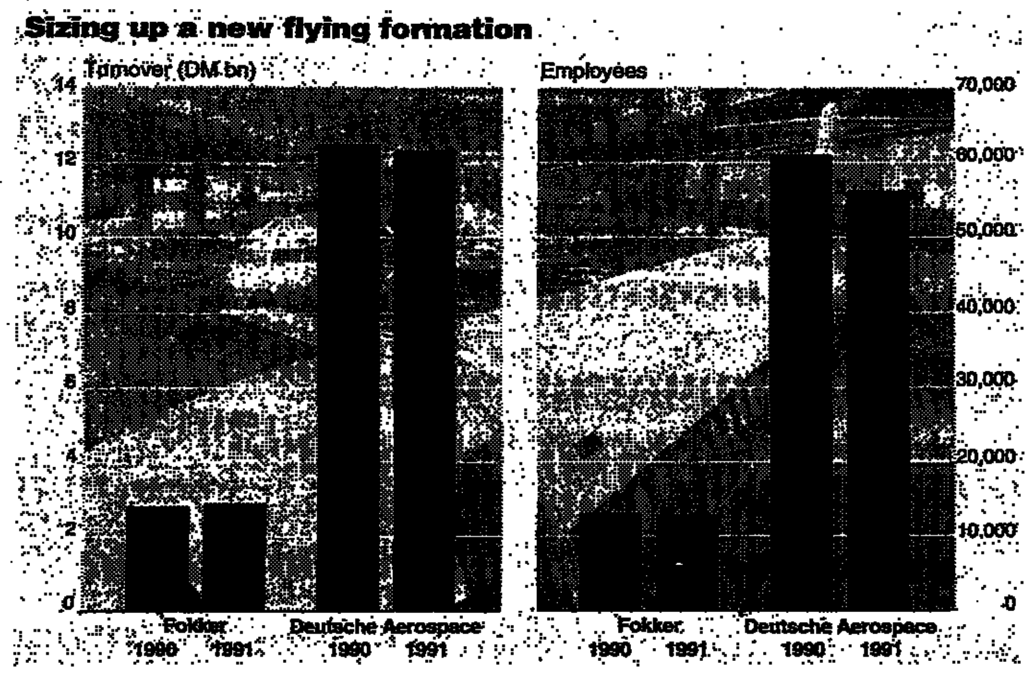
"I was never aiming for watertight guarantees," Mr Koos Andriessen, minister of economic affairs, said of his negotiations with Dasa. "I know only too well that there has to be a certain restructuring in that segment of the market, but if you take away the aeroplane now, the company will disappear."

The government will retain certain rights to help determine policy at Fokker until the year 2000. But, ultimately, the sale of a 51 per cent stake (through the disposal of the state's holding and a planned private placement) means Fokker's future is inextricably bound to that of Dasa.

The German company, which recently announced more than 7,000 job losses, is facing troubles of its own, not least uncertainty about the Euro-fighter project and difficulties confronting the entire civil aircraft sector.

With British Aerospace looking to Taiwan for a partnership and with the rest of the industry in a state of flux, Fokker's decision to join the Daimler-Benz fold will not shield it entirely from the turbulence besetting the aircraft market, even now that it will be flying in formation with its bigger European colleagues.

Sizing up a new flying formation



Lufthansa pulls out of race for Continental Airlines

By Daniel Green in London

LUFTHANSA, the German state airline, yesterday pulled out of the race to buy Continental Airlines just days before the November 9 deadline for final bids.

Lufthansa said it had not been able to clarify all the "open issues" concerning the bid for the US carrier, which has been operating under Chapter 11 bankruptcy protection since 1990. The withdrawal is a blow to Lufthansa's strategy to forge international links in response to alliances in recent years by British Airways, Air France and KLM, the Dutch carrier.

It said it would renew efforts to seek a partner to improve its share of the North Atlantic market.

The big three US carriers – American, United and Delta – have also been aggressively expanding their European operations. Lufthansa's biggest threat has come from Atlanta-based Delta, which last year acquired Pan Am's European routes and Frankfurt hub.

It also has to see through a restructuring proposed in September to cut operating losses expected to rise to DM1.2bn ($780m) this year from DM800m.

The airline and Mr Marvin Davis, a Los Angeles-based billionaire, offered to buy Continental in September for $100m in cash and $300m of corporate bonds.

Their departure from the bidding comes less than three weeks after the withdrawal of another group, Benefit Concepts, of New York which was designing a $425m offer based on employee share ownership schemes.

The bids by Benefit Concepts and Lufthansa were the highest and the second highest respectively of offers on the table.

Three bidders remain: an investor group headed by Mr Charles Hurwitz, a Texas-based businessman, an offer from Mr Alfredo Bresner, whose family owns a large stake in Mexicana Airlines, and an offer from Air Canada with another Texan investment group.

All three proposals are similar in design and to Lufthansa's defunct bid. The investors would put up cash in return for a majority equity stake in the carrier once it emerged from bankruptcy, with creditors being offered a minority interest.

This would be done in conjunction with the airline's reorganisation plan.

Deficits cast a shadow over growth

Economics Notebook

By Stephen Fidler, Latin America Editor, in Mexico City

The economic prospects for Mexico and Argentina, the second and third largest economies in Latin America after Brazil, have been transformed in the past five years. But amid the good news – economic growth, higher investment and lower inflation – there is an economic indicator causing concern: both countries face growing current account deficits of a size that compares with those they were running before the onset of the debt crisis in 1982.

Mexico's deficit is expected to come close to $20bn this year, 6.2 per cent of gross domestic product and a higher proportion of gdp than at any time during its 1977-82 borrowing spurt. Argentina's deficit is expected to exceed $6bn, more than 4 per cent of gdp and the highest level on record in nominal terms.

Until recently, both governments affected unconcern. The Mexican government argued in the first place that its current account deficit was caused by large inflows of capital into Mexico, not the other way round. Second, it made the point that since the government was running a budget surplus, the current account deficit was a private sector phenomenon – a function of the lending and spending decisions by private sector actors at home and abroad – of no concern of the government.

To British readers, the argument will be familiar as one used during Mr Nigel Lawson's tenure of 11 Downing Street in those long-past days when the UK government was running a budget surplus. According to this hypothesis, the only current account deficit that should be of concern to policymakers was one that stemmed from a budget deficit.

If the argument holds water, both Mexico and Argentina should have no need to worry. Mexico is expected this year to run a public sector surplus of around 2 per cent of gdp – in sharp contrast with the budget near deficit in 1981 of 12.4 per cent of gdp – and Argentina a surplus of around 0.6 per cent.

It is mathematically correct that a country's current account deficit is identical to the capital account surplus, adjusted for changes in foreign exchange reserves.

It is true, too, that because the governments are not enlarging their borrowings and above all they are not borrowing at floating rates from foreign banks, there is no replay in sight of the 1982 debt crisis.

However, it is also true all current account deficits are not created equal. The issues are, first, the ability to sustain capital inflows that back the deficit and, second, the constitution of imports. In both countries, capital goods imports have grown considerably, suggesting a pick-up in investment that should increase the economies' productive capacities. On the financing, though, a significant proportion of the capital inflows are potentially volatile, short-term funds.

As Mr Paul Luke of Morgan Grenfell says in research published last month, worries about the levels of borrowing needed to finance the deficits can force up the interest rates Mexican and Argentine entities must pay to borrow abroad, and force governments to raise domestic interest rates to attract investment, thereby slowing growth.

Developments over the past two weeks suggest that – in spite of ample foreign exchange reserves – neither government takes a sanguine view of its deficit. Looked at another way, they are worried about what the process of self-correction might entail for economic growth and for their anti-inflation strategies.

In Mexico, the government has announced a gradual widening of the target band for the peso by doubling the maximum daily devaluation. Furthermore – and government officials admit this is no coincidence – Mexican importers have been meeting unusual difficulties in trying to get goods into the country as customs are insistent on compliance with new documentation requirements. Along similar lines, President Carlos Salinas yesterday promised effective action against unfair trade practices.

Mr Jonathan Heath, chief economist at Macro Asesoria Economica, an economic forecasting group in Mexico City, said: "This is a strong indication that the government is very worried about the current account deficit."

The Argentine government last week also announced measures to increase incentives for exporters – for example, they will be refunded the 18 per cent value added tax on inputs used in products to be sold abroad – and increased taxes on imported goods. Such actions partly reverse the aggressive economic deregulation pursued by the government.

An important common factor between the two economies is that both governments have been using exchange rate policy as a central plank of their anti-inflation strategy. Argentina's peso is fixed against the dollar; Mexico's slides on a preannounced crawling peg. The result has been, in the view of many economists, overvalued domestic currencies in both countries and a loss of competitiveness. Both governments therefore have to resolve a severe dilemma of how to keep their successful anti-inflation policies on track, while preventing a further erosion of competitiveness.

Mr Heath believes the faster devaluation of the Mexican peso should stop erosion of Mexican competitiveness. The annual peso devaluation of 4.6 per cent is sufficient to keep pace with the difference between expected US inflation and that which he forecasts for Mexico over the next 12 months, 7.6 per cent. This leaves future increases in Mexican productivity to do the job of reducing the overvaluation.

In Argentina, the government has less room for manoeuvre with its fixed exchange rate and the measures should give its exporters a breathing space. Furthermore, much of its current account deterioration has been caused by a powerful neighbour pursuing an opposite exchange rate policy. While Argentina has fixed its nominal exchange rate, Brazil has been pursuing a policy of devaluing the cruzeiro at a rate slightly faster than inflation, depreciating the real exchange rate. Brazilian goods have flooded into Argentina.

Hanson poised to move in RHM battle

By Richard Gourlay in London

LORD HANSON is expected to indicate early this week whether he plans to trump the Tomkins conglomerate's £935m ($1.5bn) recommended offer for Ranks Hovis McDougall, the UK milling, baking and grocery products group, which topped his own hostile bid by £145m.

The head of the Anglo-US conglomerate maintained silence at the weekend amid rumours that Barclays de Zoete Wedd had problems with underwriting the Tomkins offer.

Mr Greg Hutchings, Tomkins chief executive, said last week underwriting of the £653m one-for-two rights issue, with which Tomkins is partially funding the bid, had gone well. However, Gartmore, with 4.4 per cent of Tomkins' shares, declined to participate in the underwriting. This sparked suggestions Tomkins had been forced to pull out all stops to find backing for the bid at the current price.

Mr Hutchings has put his former boss in a tight spot. Lord Hanson has to weigh up the cost of being seen to be paying too much, if he increases his bid from 220p a share, against a potential loss of reputation if he lets his protégé win.

In financial terms, a takeover of RHM would enhance earnings considerably more for Tomkins than for the much larger Hanson group.

Also, the rights issue is structured to allow Mr Hutchings to increase the Tomkins offer, if necessary, without asking the underwriters.

Fund management team to quit Hill Samuel

By Norma Cohen, Investments Correspondent

HILL SAMUEL Investment Management is losing its "active quantitative" fund management team to State Street Boston Global Advisers in a move which highlights growing demand in the UK for the computer-based stock selection technique.

The team's leader, Mr Alan Greenhorn, who is also a director of HSIM, has developed one of Hill Samuel's most successful asset management products, known as Active Value Management.

It has £450m under management for 11 clients, most of whom are pension funds. Among its clients are Emmanuel College, Cambridge, Cable and Wireless Pension Fund and Allied Lyons Pension Fund.

Meanwhile, Hill Samuel has told State Street that it intends to strictly enforce terms of Mr Greenhorn's contract which bars him from working for a competitor for six months after having given a resignation notice.

That clause, frequently inserted in fund managers' contracts, is intended to ensure that they do not poach clients for their new employer.

Hill Samuel said that while it was disappointed to lose the team, it had already arranged to replace it with other quantitative experts.

The company has taken steps to reassure its clients about the new management team. "We've reassured them that the database and the systems will all remain," Hill Samuel said. In total, Hill Samuel manages £9.6bn in the UK.

Active quantitative management, a technique pioneered in the US, involves the use of large quantities of data entered on computer software to make stock selections.

Mr Greenhorn said that the technique allows fund managers to identify characteristics likely to occur in underperforming stocks and avoid them. State Street, in its US operations, has been a leading provider of active and passive quantitative fund management techniques.

Mr Greenhorn will be joined at State Street by five others from Hill Samuel who will join as their management contracts expire.

Union Intl returns to the black

By Richard Gourlay

UNION International, the trading arm of the privately owned Vestey Group, one of the largest private companies inn the UK, has returned to profit.

In the six months to June Union made operating profits of £29.1m and pre-tax profits of £12m on sales of £584.3m. In the same period of 1991, the respective figures were profits £18m, losses £20.5m and £1.3bn.

The results suggest the arrival in January of Mr Terry Robinson as chief executive has begun to make an impact on the group, that has been in talks with its bankers all year.

Mr Robinson said the terms of a standstill agreement with 70 banks, owed £300m, had been agreed subject to conditions which were expected to be fulfilled imminently.

The agreement will "formalise" the company's refinancing through to December 1994 and will allow a continuation of the strategy of debt reduction, Mr Robinson said in a statement. All Union's bank's have signed the standstill agreement.

Operating profits included a £4.5m (£14.9m) surplus on the disposal of fixed assets.

Payment of dividends on the cumulative preference stocks are suspended for the foreseeable future.

Beverley falls to £56,000

BEVERLEY Group, the engineering concern formerly known as Petrocon, reported pre-tax profits down from £518,000 to £56,000 in an eventful six months to the end of June. Losses for the whole of 1991 amounted to £2.57m.

In March, Petrocon acquired Beverley and in April it failed to acquire James Wilkes in a hostile bid.

And this week the High Court approved a capital reconstruction involving the reduction of share capital and the writing off of the share premium account to eliminate a deficit on profit and loss reserves of £6.68m.

In addition the 12½p shares have been divided into ordinary shares of 7½p, dealings in which are expected to start today and deferred share of 5p, which have been cancelled.

Turnover increased to £9.68m (£9.2m) as a result of the Beverley acquisition.

Earnings per share came out at 0.16p against 1.18p and the interim dividend is being passed. There was a payment of 0.625p last time.

Toye incurs £742,000 losses

Toye and Company, a maker of civil and military regalia, fell from profits of £373,000 to losses of £742,000 pre-tax for the half year ended June 30.

The loss was struck after taking account of an exceptional provision of £202,000 for rationalisation and reorganisation.

Turnover fell £1.25m to £5.52m, the shortfall being blamed almost entirely on a sharp fall in profitable exports. Losses per share emerged at 24.8p (earnings 10.6p).

N of England Bldg Society lending up 26%

In the six months ended June 30 1992 the North of England Building Society increased its gross mortgage lending to £172.4m, a rise of almost 26 per cent over the same period of 1991.

But the society said there was strong competition for retail funds from National Savings, and net retail receipts fell substantially, from £24m to £13.5m.

Provision for loan losses were £400,000, but remained significantly lower than many other competitors, the society claimed.

At June 30 the assets stood at £1.36bn, an increase of 11per cent over the six months. Liquidity ratio dropped from 17.77 per cent to 15.8 per cent.

Net profits for the period were £5.22m (£4.86m).

HK Land is 'relaxed' with stake in Trafalgar

By Roland Rudd

HONGKONG Land, which has a 14.9 per cent stake in Trafalgar House, is unlikely to buy any more shares in the property, construction and engineering group for at least another five months.

Mr Rodney Leach, a director of Hongkong Land who joined Trafalgar's board last month, said: "We are not trying to buy more shares; we have no bids in the market.

"While we made no secret of our desire to have a bigger stake than 15 per cent we are very relaxed with our current holding."

When Warburg Securities, acting for Hongkong Land, offered 85p for the ordinary shares and 82p for the A shares on October 1, it said Hongkong Land would not buy shares above these prices for six months.

This has effectively underpinned the Trafalgar share price. The ordinary and A shares closed on Friday at 84½p and 81½p respectively.

Mr Leach said Hongkong Land would look again at whether the group wanted to buy more shares next year.

He was careful, however, not to close the door on the possibility of increasing the stake before next April, although he said it was not his intention to do so.

Hongkong Land's main priority over the next five months is to get another of its director, Sir Charles Powell, to join Trafalgar's board.

Mr Leach, who is also a director of Jardine Matheson, said his group's involvement in Trafalgar should not be seen as a prelude to making an outright bid for the company.

"This is a long-term investment. We are not in the business of taking stakes as a prelude to making bids. We do not take the cheap expedient way. We are interested in what the profits of Trafalgar will be in five years time."

Fitzwilton sale

Fitzwilton, the Irish industrial and commercial holding company, has sold Norfolk Finance, its 75 per cent owned vehicle contract hire offshoot, for £7.4m. The buyer was AT&T Capital, the UK-based subsidiary of AT&T Corporation of the US.

Critchley listing with £25m value

By Richard Gourlay

CRITCHLEY GROUP, which makes products that help identify wires and cables used in industrial applications, is set to join the trickle of companies seeking a stock market listing.

Later this month, the company will seek a placing likely to raise up to £15m, valuing the Stroud-based concern at about £25m and raising £3m of new money for development.

Critchley's makes small plastic collar sleeves printed with numbers and letters which assemblers use to identify the spaghetti of wires that go into industrial control systems.

But what is interesting is the range of projects it is involved in, Mr Ian McCallum, the managing director, says. "The strength of the business is the range of industries that we serve – energy, aerospace, industrial controls and utilities. We supply the haberdashery items of the electrical industry."

Products appear on the new Rolls-Royce Trent engine for Boeing and Airbus; it is on Elf Enterprise Consortium's Piper B platform; and it is used on control control systems at BNF's Sellafield plant.

Critchley made its first cable marker 40 years ago and sales are still growing. Last year it produced profits of £2.26m from sales of £19.24m and trading has continued strongly in the first half of this year.

The most interesting development is a heat shrinkable identification label. It fulfils a similar task as the plastic sleeves but is targetted at the most sophisticated end of the electrical market.

These HSI label now account for more than 40 per cent of all sales of identification business. Critchley also has an array of products that fix, bind and manage wires.

A less interesting part of the business is Critchley Wound Components in Nottingham, which makes small transformers for the communications and data communications industries and which accounts for about 15 per cent of sales.

The business is mature, "a job shop" adding value by selling labour, says Mr Christopher Humphrey, finance director. Although the business depresses group operating profits it will be supported as it is profitable and cash generative

About 38 per cent of group sales are abroad, either sourced from the UK or from plant that has been built or bought abroad.

The group is likely to focus expansion and the small "war chest" it is building with the placing on the cable identification part of the business.

"Identification is the most exciting area of growth," says Mr McCallum. "Everything in industry has to be labelled and there is a de-skilling on the factory floor."

Critchley started life over 100 years ago. In response to a hostile approach from then independent M K Electric in 1984, Mr McCallum led a consortium of institutions, including MAM and Midland Montagu, which supplied 60 per cent of the capital in a £4.5m buy-out.

The management will share about £1.5m of the proceeds of the placement and will be left with 11 per cent of the company. Critchley estimates the institutions will sell about 50% of their holdings.

Impact day is expected to be in late November.

How BT could boost shareholder value

By Hugo Dixon

BRITISH Telecommunications could increase shareholder value by several billion pounds through a radical change in its dividend policy, according to a report to be published today by stockbrokers Robert Fleming Securities.

Such a change could involve giving shareholders a one-off "mega dividend", making large supplementary payments on top of its normal dividends. Alternatively, it could buy in its own shares.

Larger distributions would benefit tax-free investors like pension funds. Those payouts or share purchases would also prevent BT accumulating a cash mountain expected to be £2.6bn by end-March 1997.

According to Mr Laurence Heyworth, of Robert Fleming, it would be better to pay shareholders and allow them to recycle the cash to more productive investments

If BT paid out cash, tax-exempt investors would be able to reclaim from the Inland Revenue advance corporation tax paid on dividends.

There would, theoretically, be an advantage in distributing cash so long as ACT payments did not exceed BT's corporation tax liabilities. Because the company has for years paid out less than half its earnings in dividends and such shortfalls can be carried over for six years for tax purposes, the theoretical maximum scope for distributions would be £9.6bn.

A maximum distribution would transfer tax credits of £3.2bn to shareholders. Those who are tax-exempt (they own about half BT's shares) would be able to reclaim their proportion from the IR.

Even in the context of BT's stock market capitalisation of £23bn, these are large amounts of money.

"BT is the largest of a number of leading UK companies such as British Gas and Marks & Spencer which could substantially increase the tax efficiency of their earnings to most shareholders," said Mr Philip Shirley, a tax specialist of accountants Lewis Shirley.

But such a move by BT might be controversial, Mr Heyworth warned. It might lead to complaints that the company was making excessive profits out of customers or that it was helping holders to recoup tax at a time when government finances were plunging heavily into the red.

TR Far East net assets fall 5.1%

TR Far East Income Trust, the investment house focusing on the Pacific, Australasian and Japanese markets, reported a 5.1 per cent fall in its net asset value from 96.5p to 91.6p for the year ended August 31, 1992.

The company blamed the weakness of regional currencies and the dollar but said that, since the year end, net assets had advanced strongly to an estimated 104.4p at September 30.

Total revenue slipped to £3.8m (£3.9m) and the net surplus came out at £2.12m (£2.17m).

Earnings came out at 4.6p (4.7p), while the total dividend is lifted to 4.5p (4.2p), with a fourth interim of 1.2p (1.1p).

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Ikea (Sweden)	Habitat (UK)	Retailing	£78m	Storehouse disposal
Dairy Farm International (HK)	Unit of Cold Storage Holdings (Singapore)	Retailing	£51m	Goodman non-core disposal
BBA Group (UK)	Siddons Ramset (Australian)	Building materials	£38m	Bid via Pacific BBA
Ruhrgas (Germany)	Unit of TI Group (UK)	Capital goods	£38m	Non-Core disposal
Peregrine Investments (HK)	Invesco MIM (UK)	Fund management	£19.7m	Stake upped to 14.9%
NFC (UK)	Transport Martin (France)	Distribution	£3.4m	NFC targets continent....
NFC (UK)	Transports Pujos (France)	Distribution	£2.1m	.....for future growth
Supplylink International (UK)/Holland)	Gerlach Offshore (Holland) /Oilbase Management (UK)	Oilfield services	£2.03	Aggregate price
Deutsche Aerospace (Germany)	Fokker (Holland)	Aircraft manufacture	£314m	Agreement on 51% stake
Scapa Group (UK)	Unit of Technische Textilien L'rrach (Germany)	Technical textiles	£1m	Maximum price

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Efim receives first offer for assets

By Haig Simonian in Milan

MR FABIANO Fabiani, managing director of Italy's state-controlled Finmeccanica engineering and aerospace group, has made the first public offer to buy assets from Efim, the state holding company put into voluntary liquidation in July.

Finmeccanica has proposed to buy Breda Costruzioni Ferroviarie (BCF), Efim's railway equipment subsidiary. which would then be merged with Finmeccanica's quoted Ansaldo Trasporti subsidiary.

The combined companies, creating Italy's biggest rail equipment company, would form the railway equipment group which has for years been the unrealised dream of Italy's sometimes warring public-sector companies.

In a letter to Mr Alberto Predieri, Efim's special administrator, Mr Fabiani is reported to have offered to pay cash for BCF, which made net group profits of L5.7bn ($4.8m) on sales of L512bn last year. The company, which has net debts of L219bn, has built a reputation for its rolling stock and equipment for urban mass transit systems, sold successfully in the US.

Finmeccanica's interest in acquisitions, the motor for its recent growth, has been tempered by growing indebtedness and the effects of recession. Last month, it gained a stock market quotation via the reverse takeover of Sifa, a quoted subsidiary.

The transaction should have been the first stage in a series of capital increases raising up to L1,700bn. However, the financial problems of IRI, Finmeccanica's parent, and poor sentiment on the bourse have led the deal to be postponed indefinitely.

Finmeccanica is known to be keen on bidding for Nuovo Pignone, the turbines and compressors subsidiary of the ENI energy and chemicals group. Merging Nuovo Pignone with Finemccanica's existing Ansaldo turbines business would form the biggest turbine-maker in Italy.

Although bankers think Nuovo Pignone will be sold via an international auction, many expect that Finmeccanica will emerge as the winner.

Creating large near-monopolies in railway equipment and turbines could ensure steady business for Finmeccanica from Italy's state-owned railway and electricity generating groups, currently involved in very heavy investment drives.

Successful incorporation of the state-owned assets now for sale could be the prelude to a large internal restructuring for Finmeccanica.

Many bankers believe the company plans to buy out minority interests in quoted subsidiaries such as Alenia, in favour of having Finmeccanica as the single quoted vehicle. Minority shareholders in the subsidiaries would be offered shares in the parent company in exchange for their existing holdings.

Sweden in move to tackle bank sector crisis

By Christopher Brown-Humes in Stockholm

SWEDEN will this week announce plans to set up a special authority to tackle the crisis in the country's banking sector.

The move is part of a package of measures designed to shore up the battered financial system and strengthen foreign confidence in it. It follows concern that credit losses for all of Sweden's banks could reach SKr100bn ($18.7bn) over the next few years.

Details of the new proposals could be announced as early as tomorrow. It is expected that the authority will provide loans, guarantees and capital assistance to stricken banks and other financial institutions and play a key role in the restructuring of the sector during the 1990s.

Mr Bo Lundgren, tax minister, said the earliest the new authority could start operations would be the middle of next year.

The proposals are being drawn up in consultation with the opposition Social Democrats to ensure they are *approved in parliament.*

The problems in the Swedish banking sector were underlined only last week when Sparbanken Sverige announced eight-month losses of SKr6.5bn after a 62 per cent increase in loan losses to SKr10.4bn.

It warned that if losses continued at the current pace next year, it might have to seek state support.

Earlier this year, the state had to intervene to save Nordbanken with SKr20bn worth of grants and guarantees and Forsta Sparbanken with SKr7.3bn. In September, the government had to pledge it would guarantee Gota Bank's commitments after the bank indicated that credit losses this year would reach SKr8bn.

Nikon posts 15% fall in turnover

By Charles Leadbeater in Tokyo

NIKON, the leading Japanese camera and precision equipment manufacturer, has reported operating losses of Y248bn ($2bn) for the first six months to September, largely *due to a steep fall in sales of* semiconductor manufacturing equipment. This compares with operating profits of Y5.39bn a year earlier.

Pre-tax profits fell by 81.9 per cent to Y1bn, while net profits slid by 73.8 per cent to Y645m. Only the redemption of Y1.1bn of dollar denominated bonds allowed the company to record pre-tax profits.

Nikon's turnover fell by 14.7 per cent to Y104,273bn. However, sales of semiconductor equipment, which last year accounted for a third of the company's sales, fell by almost 50 per cent to Y19bn in the six months from Y37bn.

Sales of cameras fell to Y48bn from Y51bn. Only sales of spectacle lenses, frames, sunglasses and binoculars increased, to Y16bn from Y13bn.

Nikon hopes to contain its operating deficit for the year to March to about Y2.5bn, with cost savings in the semiconductor manufacturing equipment division.

Nikon declared an unchanged interim dividend of Y4.50.

Gucci denies bid speculation

By Haig Simonian in Milan

GUCCI, the Italian luxury goods group best known for its shoes and accessories, may be facing a return to the shareholder differences which plunged it into difficulties in the early 1980s.

However, the company, now 50 per cent controlled by Investcorp, a Bahrain-based investment bank, firmly denied *reports that it was set to be* taken over by the UK's acquisitive Dunhill group. A Gucci official said contacts between the two companies had been limited to meetings of middle management to discuss possible product synergies.

Having survived family feuds and criminal charges in the 1980s, Gucci has run into trouble because of the recession and the need for costly restructuring.

Fast expansion in the 1980s came partly at the expense of its exclusive image and, more recently, profits. Now, the company, guided by Mr Maurizio Gucci, grandson of the founder, has been rationalising *its range, which had rocketed* to 10,000 items, and closing outlets to project a much more exclusive identity more closely associated with its traditions in leather goods and accessories.

That strategy, and recessionary markets, contributed to an 18 per cent fall in sales to L280bn ($212.9m) in 1991. The company, which has not revealed precise earnings figures, said it broke even in 1991 and hoped to return to profits this year.

However, falling turnover and costly restructuring is believed to have been viewed amiss by some of Gucci's Bahrain-based shareholders. *Though Investcorp has placed* about 30 per cent of its holding with local funds, it retains voting rights.

Growing unease with the Gucci's strategy probably explains the revival of rumours about its future.

Warning for London banking

By Norma Cohen, Investments Correspondent

COMPETITION to London's investment banking industry is coming increasingly from continental Europe rather than from North America and Japan, and London's role as an international banking centre may be challenged, according to a study from Price Waterhouse Management Consultants.

"Since 1988 there has been a major shift away from fear of the North American and Japanese banks to viewing the continental European banks as a major threat.

"Undoubtedly these banks have improved their understanding of and expertise in the investment banking markets, and in particular those with a large capital base are well-placed to increase their market share in all markets," the study concluded.

London's prestige as an international centre has been undermined by recent self-regulation problems, most notably the difficulties at the Lloyd's insurance market.

Meanwhile, the study found there has been almost no progress in product innovation in the past three years. "Following a period of rapid innovation during the 1980s, the industry appears to have lost the will, the ability or the opportunity to innovate," the study said.

Since 1988, only three significant products have emerged in Europe; asset-backed securities, commodity derivatives and over-the-counter equity options.

"Even these are not expected to show improved profitability over the next two to three years," the study said.

Aside from these products, investment banking products are largely mature and profitability is unlikely to improve from them.

Against this background, service quality rather than product innovation will be the main avenue through which competitors seek to differentiate themselves.

Investment Banking in the 90s: From Midas to Micawber? Price Waterhouse, Price Waterhouse Management Consultants, Milton Gate, 1 Moor Lane, London EC2Y.

Petrofina shares jump on news of safety proposals

SHARES in Petrofina, the Belgian oil company, jumped in late trading on the Brussels bourse on Friday ahead of publication of proposals by Phillips Petroleum of the US to improve safety measures at its *Ekofisk oil field, writes* Andrew Hills in Brussels.

Petrofina's shares were hit by the announcement earlier this month that the Norwegian authorities might consider closing the Ekofisk oil and gas processing and storage centre for safety reasons. Petrofina owns about 30 per cent of the field, which accounts for half its crude oil production.

The group's shares closed up BFr300 on Friday at BFr8,080 their highest level since the Norwegian authorities issued their statement on October 8.

Isetan suffers 72% drop in first six months

By Charles Leadbeater

ISETAN, the leading Japanese department store company which invested heavily in modernising its stores over the past two years, suffered a 72 per cent drop in taxable profits to Y1.36bn ($11.3m) for the first half to the end of September from Y4.7bn a year earlier. Sales fell 2.7 per cent to Y213bn.

The Tokyo based company said the fall was mainly due to a sharp rise in depreciation charges to cover the modernisation programme.

The company is to cut the salaries of 26 top executives and the year-end bonuses of 300 department heads by 5 per cent to save about Y41m.

Isetan is maintaining its interim dividend of Y5 a share *in spite of a fall in earnings* per share to Y2.37 from Y10.2 a year earlier.

Placer Dome rises 133% to $33m

By Robert Gibbens in Montreal

PLACER Dome, Canada's biggest gold producer, has reported a big rise in profits for the third quarter and first nine months, mainly because of record production and lower operating costs.

Third-quarter net profits rose 133 per cent to US$33m or 14 cents a share, from US$14m or 6 cents a year earlier, on revenues of US$264m, up 5 per cent. Nine-month net profits advanced 45 per cent to US$68m or 29 cents, from US$47m or 20 cents. Revenues rose 11 per cent to US$771m. Gold sales jumped 21 per cent to almost 1.5m oz while the average realised gold price dipped 7 per cent to US$372 per oz and cash cost of production averaged US$188 per oz.

Placer achieved greater mill output and better grade control and gold recoveries. Low cost mines increased production while exchange factors were favourable.

Placer may extend the big Dome mine in Canada and plans to buy 50 per cent of Chile's Zaldivar copper deposit for US$100m. Cost control and the search for new gold reserves are top priorities.

Australia blamed for BNZ woes

PROBLEMS in Australia were largely *to blame for the financial* crisis which struck Bank of New Zealand (BNZ) in September 1990, shareholders were told at a 5½-hour extraordinary meeting on Friday, writes Terry Hall in Wellington.

Two years ago BNZ directors disclosed for the second time a surge in bad debt provisions, and were forced to ask its main shareholders the New Zealand government and Fay, Richwhite the local merchant bank for help.

SYNDICATED LOANS

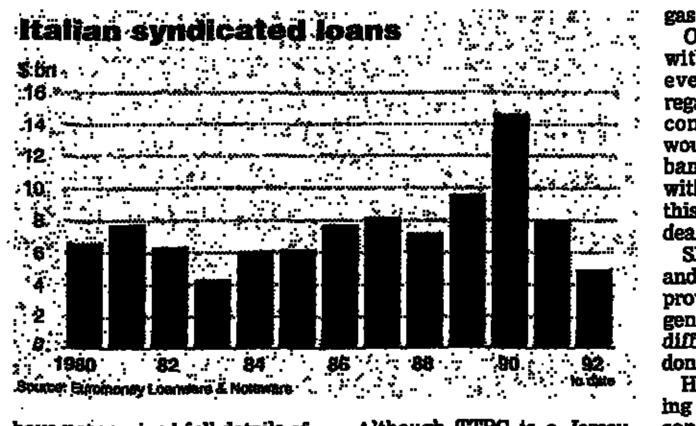
Bankers await launch of Italian deal

IF syndicated bankers had to choose their least favourite credits, the chances are that Italian names would top the list.

Last year's collapse of Federconsorzi, the Italian farm services group, and this summer's debacle with Efim, the Italian state holding company which was put into voluntary liquidation, have certainly reduced foreign bankers' appetite for Italian credits.

International bankers were *furious when the Italian* government refused to repay Federconsorzi's debts, since many of the banks had lent money to the group on the understanding that it was effectively a state credit.

In Efim's case, foreign banks were told that their loans would not be repaid in full. After months of lobbying by the foreign banks, the Italian government announced proposals to repay the debts in full, although some of the foreign banks involved claim they have not received full details of the proposals.



Source: Euromoney Loanware & Notesware

So syndicated lenders will no doubt watch the next Italian loan closely. Three banks – ABN Amro, Bank of America and Banca Commerciale Italiana – are preparing a $120m five-year loan for Trans-Tunisian Pipeline Company (TTPC) which is intended to help finance its expansion.

Although TTPC is a Jersey-registered company, the loan market regards it as an Italian credit because it relies on a payment agreement from SNAM, the gas pipeline subsidiary of Italian state group ENI. The pipeline carries gas from the Algerian border across Tunisia. Another company – Trans-Mediterranean Pipeline Company – transports the gas from Tunisia to Sicily.

One of the bankers familiar with the borrower said that even though the deal is regarded as Italian risk, he felt confident that the money would be raised. "All of the banks involved are familiar with the pipeline project, and this borrower has done several deals in the past," he said.

SNAM is a well-known name and some bankers believe that provided the pricing is suitably generous, there should be little *difficulty in getting the deal* done.

However, bankers are awaiting the launch of the deal with considerable interest – not only because this could be the first real test of appetite for an Italian deal since Efim ran into trouble with its lenders. Bankers admit they are growing increasingly worried about lending to Italian names because of concern over the state of the Italian economy.

Sara Webb

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Price rises show signs of running out of steam

THERE were distinct signs last week that the recent rise in gilts prices at both ends of the yield curve are starting to run out of steam, even though the market continues to gain strength.

The large fall in yields recently has made gilts look expensive relative to other European government bonds, given uncertainties about sterling after the UK's exit from the European exchange rate mechanism.

Furthermore, worries about funding of the public sector borrowing requirement (PSBR), which have largely been absent from the market in recent weeks, are set to return soon, as indications pile up about rising government deficits in the next year or so.

As evidence has strengthened that the longest UK recession for 50 years seems likely to continue for some time, the government has come under increased pressure to cut official interest rates, now at 8 per cent.

A further 1 or 2 percentage points off base rates seems highly likely over the next few weeks, especially given the lack of need to peg the pound to specific targets after the ERM departure.

Norman Lamont: no plans for a policy switch

The perception that short-term rates are coming down has lifted prices at the short end of the yield curve, while long yields have come down on indications that inflation is unlikely to be a problem in the UK for the next year.

Last week, long gilts saw a fall in yields of nearly 20 basis points, while yields for short-dated bonds fell by rather less: around 5 basis points.

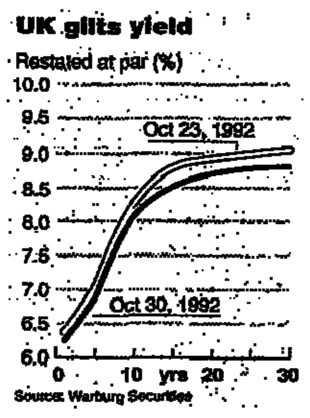
The changes continued the trend in the market over the past month, during which the difference between yields of 10-year gilts compared with yields of 10-year German bunds have narrowed substantially to about 100 basis points, the lowest figure for several years. At the same time, the yield spread between these gilts and 10-year French bonds has come down to around 10 basis points.

However, in the view of Mr John Shepperd, a bond specialist at S. G. Warburg Securities, the rise in prices for gilts has just about run its course. He reckons a correction in the market place may be about to start.

Behind this thinking is partly that investors are starting to take account of the high levels of government deficits over the next few years. With many City economists estimating that the PSBR will run to more than £40bn in 1993-94, the government will need to sell large quantities of gilts to fund the deficits.

This is especially since Mr Norman Lamont, the chancellor, appears to have no plans to order a switch in policy to make gilt sales to banks and building societies count towards funding the deficit.

The large volumes of gilts coming on to the market will depress prices, at the same time making gilts more attractive to would-be buyers, especially overseas. The need to entice more foreigners into buying gilts was underlined by figures last week from the Bank of England, which showed that in September, overseas investors were net sellers of gilts to the tune of £600m, after having sold £1.2bn worth in August.



While non-UK investors are hardly falling over themselves to buy gilts at the moment, the opposite is true for many banks and building societies. Many are borrowing at relatively low short-term base rates and then re-investing the money by lending to the government through buying long-dated gilts at significantly higher yields.

In this way, banks and building societies have taken advantage of the substantial steepening in the upwards-sloping yield curve in recent weeks.

In this environment, according to Mr Peter Warburton, an economist at Robert Fleming, Mr Lamont may have missed a trick by failing to change policy rules to make gilt purchases by banks and building societies count towards funding the PSBR.

Not only would this have eased funding problems, it would have had a much-needed stimulatory effect on the economy by increasing the money supply. Mr Warburton was among several observers of the gilt market to be disappointed that Mr Lamont made no mention of changes in funding policy in his Mansion House speech last week.

● The Bank of England continued its recent run of issuing index linked gilts by announcing that £300m of such bonds will be available for trading from today. The securities are £150m of 2¼ per cent index-linked Treasury stock due 2009, and £150m of 2½ per cent index-linked Treasury stock due 2024.

Peter Marsh

US MONEY AND CREDIT

Investors indulge in odd behaviour as election nears

US BOND investors have been behaving in a most contrary fashion over the past few days. This is as much a reflection of confusion over the likely outcome of tomorrow's presidential election, than it is the result of a clear-eyed investment strategy.

Take Tuesday's release of a much stronger-than-expected third-quarter gross domestic product report. GDP grew by 2.7 per cent between July and September, not 1.5 per cent as forecast by most analysts. The news did not depress prices, as it would have done under normal circumstances.

Instead, the markets chose to focus on the inflation component within the GDP figures, which showed a further slowdown in the rate of price rises, and on some additional, if minor, bad economic news.

On Friday, Treasury prices again confounded established wisdom by falling sharply in spite of two pieces of gloomy economic news – a very weak Chicago purchasing managers' report and an unexpected drop in September new home sales.

While the market's odd behaviour had something to do with technical factors, such as the effect of new supply, the chief influence was the election. The selling at the end of the week, for example, was primarily the result of dealers and investors either squaring or lightening their positions ahead of the election day.

More importantly, the confused nature of trading last week mirrored the bewilderment felt throughout the financial markets in the face of last-minute shifts in the opinion polls. The comfortable double-digit lead in the national polls enjoyed by Governor Bill Clinton at the start of the final week of the campaign had dwindled to between one and five points by the end of the week.

Although this would normally be cause for celebration in equity, and especially bond markets, investors appeared unwilling to respond positively to the changing dynamics of the election race. This is not necessarily a grudging endorsement of Mr Clinton, but rather a reluctance to reassess the judgments, and reverse the tactics, adopted several weeks ago when it looked as if the Democratic candidate was going to coast home.

During the discounting of a Clinton victory, prices dropped sharply and the yield on the benchmark 30-year bond jumped more than 30 basis points. Yet since then, prices and yields have barely moved, in spite of the sharp narrowing in the national opinion polls.

This is because given the choice, investors would rather leave their positions as they are and be caught out by the rally that would follow an unexpected Bush win, than load up with bonds in the hope of a stunning Republican comeback, only to be caught out by the sell-off that would follow a Clinton victory. Of the two, the second scenario would probably inflict greater losses than the first.

For those who want to look past tomorrow's election, the week offers plenty of economic news to digest.

The National Association of Purchasing Management publishes its October index later today, and in the wake of the big drop in equivalent surveys in Chicago and Philadelphia, analysts are expecting another decline in the national gauge of manufacturing activity.

The leading economic indicators for September are released tomorrow and they are slated to show a drop of 0.3 per cent, while factory orders data the following day are forecast to reveal a modest rise. The most important statistics of the week will be reported on Friday when the October employment data are published.

Analysts are at odds over what the figures will show, although the consensus is for an increase in non-farm payrolls of about 20,000 and for a rise in the unemployment rate from 7.5 per cent to either 7.6 per cent or 7.7 per cent.

Patrick Harverson

GERMAN GOVERNMENT BONDS

Economists optimistic about cut in rates

THERE is little doubt among economists that the Bundesbank will sooner or later embark on a substantial cut in interest rates – following its half-hearted move in the middle of September to cut the Lombard rate by 0.25 percentage points to 9.50 per cent and the Discount by 0.5 points to 8.25 per cent.

This optimism, combined with the safe-haven status of the D-Mark amid September's currency turmoil, explains why over the last two months bund yields have dropped. They fell from the plateau of 8 per cent or above where they were for most of the first eight months of the year and are now at 7.45 per cent, and are widely expected to fall still further.

However, the timing of the Bundesbank's next move on interest rates – and thus the future course of the bund market – remains uncertain. Some observers expect a cut of at least 0.5 percentage points in the Lombard rate by the end of the year. Others more cautiously predict the cut will not come until next spring, by which time inflationary pressures may have subsided and the 1993 wage round will be out of the way.

The conviction that rates will turn is based on a number of factors, including past experience: rates halved during two previous recessionary phases – 1974-76 and 1981-83 – and the market is convinced that a significant cut in the Lombard rate will presage the beginning of a swift move back to very much lower levels.

Hopes have been fuelled further by a fall since early September of nearly a full percentage point in the overnight money rates which the Bundesbank steers via its security repurchase agreements and other instruments. But last week the Bundesbank resisted the temptation to let rates fall below 8.75 per cent.

Increasingly bad news on the state of the German economy – most recently the predictions last week from Germany's five most important research institutes that GDP growth in western Germany would be only 0.5 per cent next year – is grist to the interest rate optimists' mill. It is thought extremely unlikely the Bundesbank will want to hold rates at the present level in the face of a serious recession.

In spite of all this, the Bundesbank still sees its main task as squashing inflation out of the system, not acting as an instrument of counter-cyclical economic policy.

Here the indicators are negative: preliminary consumer price figures for October out last week showed a 3.8 per cent increase in annual inflation, worse than expected after a 3.6 rise in September. And there is no indication that M3 money supply growth is suddenly going to crumple back to the Bundesbank's 3.5 to 5.5 per cent target range.

Over the longer term, the sharp slowdown in the economy, combined with the appreciation of the D-Mark will work to squeeze inflation out of the system.

But the Bundesbank is unlikely to squander decades of carefully won anti-inflation credibility at a time when its chosen indicators – headline inflation and M3 money supply growth – are out of line.

Thus the big cut is likely to come next spring rather than this Christmas, with the result that bunds are likely to enter another phase of consolidation.

David Waller

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 02.11.92 Pool purchase price £/MWh	Final Prices for Trading on 03.10.92 Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]	[illegible]

Prices are determined for every half-hour in each twenty-four hour period. [illegible] capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.11.92 Pool purchase price £/MWh	Final Prices for Trading on 04.10.92 Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]	[illegible]

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FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OSAKA PREFECTURE 8 1/2 94	140	106½	-⅛	4.77
OSTER KONTROLLBANK 8 1/2 01	200	107¾	+⅛	7.20
OSTER KONTROLLBANK 9 95	200	109¼	-⅛	5.38
OSTER POSTSPARK 10 1/2 94	150	108¾	-⅛	4.62
PANASONIC FIN 9 3/8 94	300	106	+⅛	4.75
PETRO-CANADA 7 1/4 96	200	103¾	+⅛	5.99
PETROBRAS 10 96	200	95	-⅛	11.97
PHILIP MORRIS 9 7/8 98	200	106¼	-⅛	8.35
PRUDENTIAL FIN 8 1/2 01	300	101¼		7.97
PRUDENTIAL RLTY SECS 0 99	365.216	64¼	-⅛	7.39
QANTAS AIRWAYS 8 5/8 96	97.75	107¼		6.02
QUEBEC HYDRO 9 01	300	107¾	+½	7.68
QUEBEC HYDRO 9 3/4 98	150	112¼	+⅛	7.13
QUEBEC PROV 9 98	200	108¾	+⅛	7.07
QUEENSLAND GOVT 10 1/4 95	100	111¼	-⅛	5.78
RALSTON PURINA 11 3/4 95	150	112¼	-⅛	6.07
REED PUBLISHING 9 5/8 97	150	110¼	-⅛	6.86
SAINSBURY 9 1/8 96	150	109¼		6.42
SAS 10 99	200	108⅞	+½	8.13
SAS 10 1/8 95	150	108¼	+⅛	6.86
SBAB 9 1/2 95	500	108¼		5.73
SBC FINANCE 7 3/4 96	200	105½	-⅛	6.10
SEAGRAM CO 8 1/2 96	100	102½		7.62
SEARS EURO TRUST 8 3/4 96	750	105¾	-⅛	6.86
SEARS O/S FIN 0 98	500	63¾	-1¼	8.22
SEARS ROEBUCK EURO 9 3/4 95	500	107¼	-⅛	6.27
SNCF 7 1/4 94	175	103¼		4.37
SNCF 9 1/2 98	150	113¼		6.60
STATE BK NSW 8 1/2 96	200	107		6.29
STATOIL 7 5/8 94	200	103¼	+⅛	5.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid price	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ABN AMRO 8 1/2 96	500	104½	+⅛	7.17
AUSTRIA 5 7/8 97	500	95¼		7.17
BELGIUM 7 3/4 02	500	101½	+⅛	7.47
BNP 8 1/4 01	200	104¼		7.54
DEUTSCHE FINANCE 7 1/2 95	1000	100⅝	-⅛	7.10
EIB 7 1/2 99	400	101¼	+⅛	7.22
EUROFIMA 8 3/4 96	400	105	-⅛	7.23
FINLAND 8 1/4 02	2000	102	-⅛	7.93
GENERAL ELECTRIC 8 3/4 95	300	103½	-⅛	7.49
INTER AMER DEV 9 00	300	108⅞	+⅛	7.50
IRELAND 6 1/2 97	300	96	+⅛	7.57
JAPAN DEV BK 5 3/8 95	300	94¼		7.75
NAT BK HUNGARY 10 3/4 98	500	101½	+⅛	10.49
NORTH EAST FIN JAP 8.40 99	200	104⅞	-⅛	7.42
TURKEY 10 3/4 96	500	101¾	+⅛	10.16
VOLKSWAGEN COM 8 5/8 97	400	103⅜	-⅛	7.68
WORLD BANK 0 15	2000	23⅛		6.53
WORLD BANK 5 3/4 96	300	95½		7.28
WORLD BANK 8 3/4 00	1250	108⅝	-⅛	7.27

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	95½	+2	6.43
COUNCIL EUROPE 4 3/4 98	250	93¼	+1¼	6.16
EIB 6 3/4 04	300	101½	-1¼	6.56
ELEC DE FRANCE 7 1/4 06	100	106	+⅛	6.56
FINLAND 7 1/4 99	300	105	+⅛	6.34
GENERAL MOTORS 7 1/2 95	100	100¼	-⅛	7.35
HYUNDAI MOTOR FIN 8 1/2 97	100	104½	+⅛	7.36
ICELAND 7 5/8 00	100	103½	-⅛	7.02
JAPAN DEV BK 5 1/2 94	100	99¼	+⅛	6.10
KOBE 6 3/8 01	240	101½	+1	6.14
NEW ZEALAND 4 7/8 99	200	91½	-1	6.57
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SNCF 9 1/4 97	4000	103⅞	+⅛	8.22

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
ASAHI GLASS	25/06/98	11⅞	-1⅛	33.62
CANON	24/05/95	8¼	-⅛	24.53
HANKYU DEPT STORES	14/03/96	1⅛	-⅛	77.43
HINO MOTORS	06/07/94	⅛	-⅛	99.53
KOBE STEEL	12/06/96	1⅛	-⅛	73.34
MITSUBISHI EST	11/03/94			
MITSUI TOATSU CHEM	30/01/98	1⅛	-⅛	
MORINAGA	13/06/95	7⅛	-⅛	35.41
NICHIREI CORP	11/06/98	13½	-⅛	34.22
NIPPON COMSYS	31/01/95	⅛	-⅛	
NISSHIN STEEL	18/04/96	1⅛		
ROYAL HOTEL	14/03/95	1		95.13
SMC	25/07/95	⅛	-⅛	
TAKASHIMAYA	02/07/96	1⅛	-⅛	88.54
TOYO SASH	05/08/97	2⅛	-⅛	
YAMANOUCHI PHARM	01/03/94	5⅞	-1⅛	21.93

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on October 30

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

French franc's strength adds spice to Euromarket

THE Euro-French franc bond market is the only European bond market other than the D-Mark sector which is open for large financings.

A number of European sovereign borrowers seeking funds to cover losses in the foreign exchange market in September, are looking to the French market, lifted by the franc's status as one of Europe's strongest currencies.

There is talk that the UK may raise more than FFr10bn in the market next week, following other recent large issues, including a FFr6bn deal from Sweden.

New issue volume has grown from 15 issues totalling FFr9bn in 1987 to 92 worth FFr105bn so far this year, according to figures from Euromoney. Nevertheless, the sector still lies behind the US dollar, the yen, the D-Mark and the Ecu, so far this year.

The market is dominated by five French banks, Crédit Commercial de France, Crédit Lyonnais, Société Générale, Banque Paribas and Banque Nationale de Paris.

The market has become increasingly liquid, as the average size of new issues has grown. In addition, the setting up of a market-making system – known as specialistes en valeurs publiques (SVTs) – for French government-owned borrowers issuing large international bonds, has lifted investor confidence in the sector.

The franc is emerging not only as a much-needed alternative to the D-Mark, but also as a substitute for the Ecu sector which collapsed under an overhang of paper after Denmark rejected the Maastricht treaty in June.

The accepted wisdom is that France has won its battle for a "franc fort" within the European exchange rate mechanism. While the franc is not a fully signed up member of the D-Mark zone, there are strong links between the two, and investors are flocking to buy the currency, which offers interest rates between 85 and 100 basis points higher.

The franc is the only viable alternative currency to the D-Mark, according to Mr Stephen West of Banque Paribas, which arranged Sweden's recent FFr6bn five-year offering.

"People don't want currency risk: they're refocusing money into core markets, and buying less of the peripheral currencies. People realise that the French franc market is a professional one," he said.

He argues that the market is more liquid than its D-Mark rival, given the wider range of securities available and its more sophisticated structure. However, the development of the market has been less than smooth. It was forced to close during the summer, due to a severe bout of indigestion after an avalanche of paper failed to be placed – one week in early July saw 10 issues totalling FFr17bn.

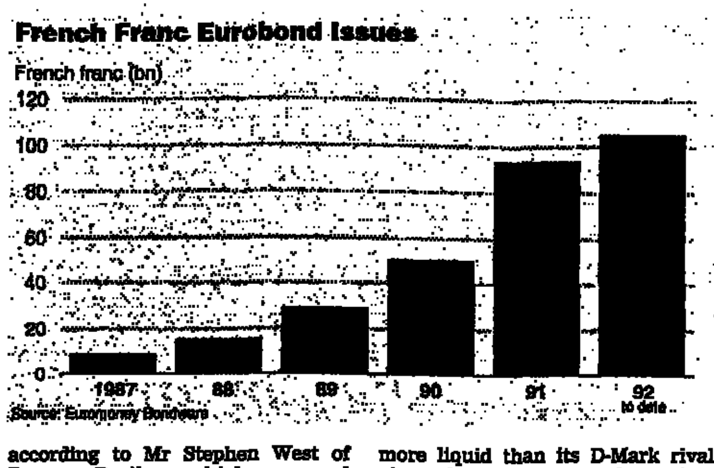
In the past two weeks the trend has been for large issues by borrowers with heavy funding requirements. The next is expected to be for the UK, possibly as early as this week. Talk is of at least a FFr10bn five-year issue with a yield spread of between five and 10 basis points over five-year French government paper. It would be the largest deal in the sector by a substantial margin over Sweden's FFr6bn transaction. One French banker suggested an issue up to FFr15bn over 10 years could be feasible.

The borrowing would form part of the second half of the UK's Ecu10bn funding programme announced in September, which consisted of an Ecu5bn syndicated facility and an Ecu5bn note programme. Under the programme, the UK completed a DM5.5bn five-year Eurobond.

Although there is strong international demand for the franc for the time being, there could be a quick shift to oversupply if too many large deals emerge.

Brian Bollen

French Franc Eurobond Issues



Source: Euromoney Bondware

NEW INTERNATIONAL BOND ISSUES

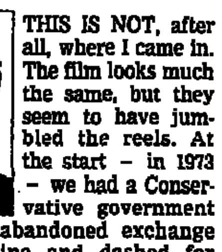
Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Kissei Pharmaceutical(a)♦	100	1998	4	1.5	100	Daiwa Europe	-
Crédit Local de France	200	1995	3	5.375	101.0875	Kidder, Peabody Int.	4.978
Finnish Export Credit	200	1995	3	6	101.125	Goldman Sachs Int.	5.582
NTT	200	1997	5	6.25	100.675	JP Morgan Secs.	6.089
Grupo Televisa(e)	200	1997	5	10	99.961	Chase Inv.Bank	10.010
GECC(f)‡	50	2003	10.21	(f)	(f)	Kidder, Peabody Int.	-
Nordic Inv.Bank	200	1995	3	5.25	101.1375	Salomon Bros.Int.	4.834
Empresas la Moderna(e)	150	1997	5	10.25	99.7	Morgan Stanley Int.	10.328
Cemex(e,k)	30	1999	7	10	95.86	Citicorp Inv.Bank	10.860
Asian Development Bank	300	1997	5	6.125	99.46	Lehman Bros.Int.	6.254
Rep.of Trinidad & Tobago	100	1997	5	11.5	99	CSFB	11.776
UBS Finance(m)‡	100	2002	10	(m)	100	UBS P&D Secs.	-
JP Morgan & Co.(q)‡	100	2002	10	(q)	99.825	JP Morgan Secs.	-
Sungshin Cement(r)§	13	2007	15	(r)	100	Tong Yang Secs.	-
YEN							
Vitamin (Cayman)(c)★★	2.08bn	1996	3.77	5.2	100.2	Nippon Credit Int.	5.133
African Dev.Bank	40bn	1997	5	4.75	99.89	Daiwa Europe	4.775
Seiyu Europa	25bn	2000	7.28	5.85	101.625	Nomura Int.	5.369
D-MARKS							
Nissen Co.(a)♦	50	1996	4	3.625	100	Nomura Bk(Deutsch.)	-
Tokyo Tekko Co.(a)♦	180	1997	5	4	100	Nikko Bank(Deutsch.)	-
Deutsche Fin.Neth.(g)	100	1997	4.83	8.5	(g)	Deutsche Bank	-
DSL Bank(h)‡	100	1999	7	(h)	101.75	Morgan Stanley	-
Pokka Corp.(a)♦	90	1996	4	3.5	100	Nikko Bk(Deutsch.)	-
Crédit Local de France(i)‡§	50	2002	10	(i)	100	Soc.Gén.-Elsässische	-
Republic of Finland	1bn	1997	5	7.75	101.88	Dresdner/M.Stanley	7.288
Deutsche Ausgleichsbk(n)‡	100	2002	10	(n)	99.95	Trinkaus & Burkhardt	-
STERLING							
Northumbrian Water Group	100	2002	9.17	9.25	101.085	CSFB	9.061
British Gas	200	1997	5	7.625	101.13	CSFB	7.347
Forte	100	1997	5	8.375	101.29	Goldman Sachs Int.	8.051
FRENCH FRANCS							
Crédit National	1.5bn	1997	5	0	66.53	CCF	8.492
Kingdom of Sweden	6bn	1997	5	8.5	99.61	Paribas Cap.Mkts.Grp	8.599
BSN	1bn	1999	7	8.8	101.05	Crédit Lyonnais	8.594
Fuji Citio Corp.★★	130	1997	5	8.875	101.875	Banque IBJ(France)	8.400
Soc.Gén.Acceptance(s)‡	300	1999	7	(s)	99.5	Société Générale	-

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
CANADIAN DOLLARS							
GECC(p)	150	1998	5.27	7.375	101.525	Morgan Stanley Int.	7.007
GECC(p)	50	1998	5.27	7.375	101.775	Morgan Stanley Int.	6.950
Finnish Export Credit	200	1998	5.29	7.75	101	Lehman Bros.Int.	7.500
LIRE							
European Inv.Bank	150bn	1997	5	12.75	101.425	IMI Bank(Lux.)	12.351
SWISS FRANCS							
Keihan Elec.Railway(a)♦	100	1996	4	2.5	100	Nikko Bk(Switz.)	-
Chugoku M.Paints(a,b)♦★★	70	1996	4	2.5	100	Citibank(Switz.)	-
Kansai Supermarket(a)♦★★	60	1996	4	2.5	100	Yamaichi Bk(Switz.)	-
SNCI(d)★★	150	1999	7	6.5	101.5	UBS	6.229
Philip Morris Cos.Inc.	250	1998	6	6.375	102.125	Crédit Suisse	5.944
Daiwa Industries(l)♦★★	50	1996	4	2.375	100	Bank Leu	-
Hibiya Engineering(l)♦★★	50	1996	4	2.375	100	Daiwa Secs.Bk(Switz.)	-
Inter-American Dev.Bk★★	300	2002	10	6.25	101.75	UBS	6.012
Bangkok Land(o)§★★	50	1997	5	4.5	100	DG Bank(Schweiz.)	-
SNCI(d)★★	257	1997	5	6.5	102.125	Crédit Suisse	5.996
City of Gothenburg★★	120	1999	7	6.375	101.75	Paribas(Suisse)	6.061
LUXEMBOURG FRANCS							
Crédit Suisse Fin.Products	1.5bn	2002	10	8.125	102.2	BGL	7.800
BankAmerica Corp.	800	2002	10	8.25	102.25	Kredietbank Lux.	8.162
IKB Deutsche Industriebank	1bn	2003	10	8.25	101.65	Paribas Lux.	8.004
BCEE★★	500	2000	8	8.125	102	BCEE	7.780
D'Ieteren Trading	1.2bn	2000	8.5	8.5	102.3	Kredietbank Lux.	8.098
Norddeutsche LB Lux.	600	2002	10	8.25	102.25	BCEE	7.916

Final terms and non-callable unless stated. ★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. a) Exercise premium fixed at approx.2.5%. b) Exercise price may be revised down by up to 20% if the average closing share price from 7-11/11/94 is below the exercise price. c) Series C. d) Borrowers full name: Société Nationale de Crédit à L'Industrie. e) Coupon payable semi-annually. f) Fungible with outstanding $100m bonds. Plus 39 days accrued interest. Coupon pays 25bp below 6-month Libor. Minimum coupon 5%, maximum 8.5%. Price, fees undisclosed. g) Fungible with outstanding DM1bn bonds. Plus 65 days accrued interest. Price, fees undisclosed. h) Coupon pays 9½% for first year and 20% less 2 × 6-month Libor thereafter. i) Coupon pays 8.5% for first year and 18.8% less 6-month Libor thereafter. Investors can choose 8.8% annual coupon after 5 years. j) Final terms fixed on 2/11/92. Callable on 19/11/94 at 101% and on 19/11/95 at 100½%. k) Issue launched on 21/10/92 was increased to $250m. Putable on 5/11/97 at 99.5%. l) Final terms fixed on 2/11/92. m) Issue launched 16/10/92 was increased to $250m. Coupon pays 25bp below 6-month Libor. Minimum coupon 5%, maximum 8¼%. n) Coupon pays 9% for first year and 14% minus 6-month Libor thereafter. o) Final terms fixed on 3/11/92. Conversion premium indicated at 5% and put/call after 3 years at 8⅛%. p) The C$150 issue was increased to C$200m. q) Fungible with $150m issue launched on 19/10/92. Coupon pays 6-month Libor. Minimum coupon 5¼%, maximum 8½%. r) Final terms fixed on 4/11/92: indicated coupon is 3½-4%, conversion premium is 5-10% and yield to 5-year put is 7.6-8.3%. s) Coupon pays 9½% for 6-months and thereafter pays 23% - 2 × 6-month Pibor. Note: Yields calculated on ISMA basis.

Anthony Harris: A farewell note

Time for a change of programme



THIS IS NOT, after all, where I came in. The film looks much the same, but they seem to have jumbled the reels. At the start – in 1973 – we had a Conservative government which had abandoned exchange rate discipline and dashed for growth; Sir Alan Walters – plain Mr then – issued a strong monetary warning, which he quaintly called a memorial.

Second time round, more Walters' warnings, but this time of collapse, and it might be worth inscribing on a memorial.

My own first financial comments on pink paper were about unwise bank lending and hollowed-out balance sheets.

I might say this was prescient, but in fact that was quite another episode – the time when it was rumoured (wrongly, as it turned out) that the National Westminster had made such losses that it might have to be nationalised.

"Would it matter?" asked one drinking companion whom I had tried to shock with this suggestion. "After all, they wouldn't even have to change the name." In the event, we inflated out of that trouble and settled for other problems instead.

This may help to explain why the banks did it all over again a mere 15 years later – but it does not excuse them (or the authorities, for that matter).

All we have achieved by the end of the cycle is to stand the old saying on its head: we have repeated history, but the first time as farce, and the second as tragedy.

The Greek chorus is still muttering darkly about bank nationalisation here and now in Washington too.

So there were mistakes; but at least we have a leaner, fitter manufacturing sector, don't we? Leaner, certainly. Nowadays you could buy up most of it for the capitalised salaries of a few privatised monopoly boards. They owe their seats to the biggest debt-for-equity swap in history.

Economic result: we can resume our old borrowing habits without blushing much, for a time at least. It's not much to show for the march of enterprise, and all that oil.

Certainly not what believers expected. Perhaps we should have taken the advice of Sir Michael Edwards, once paragon of leaner-fitter virtue.

He suggested that rather than destroy our competitiveness, we should have left the oil under the sea as a strategic reserve.

Now turn the reel upside down, and run it for coal; you might conclude that the only strategic reserve we will have left when they've finished is of cautionary tales. A sad couple of decades, really.

Wait a minute, though; this is getting too grumpy.

There must have been some benefits, even if they were unintended. The economy admittedly looks like the result of a forest fire; but one of the livelier arguments during the years I spent away in the US was about the effects of such fires.

According to the experts, they do for trees very much what competition is supposed to do for industries: they clear away choked old growth so that new plants can reach the sunlight. (A bit like defeat in war, which did so much good to the old Axis powers, without the bombs. Let's hope so.)

The financial Big Bang was supposed to perform a similar brush-clearing service for the capital markets.

It certainly wiped out the old City – which was perhaps too comfortable, and certainly too profitable, but did the job. In its place we have a mess.

The new City did offer better returns to depositors, until the money ran out; but now it seems stagnant and a bit putrid. At least, though, this episode may reteach the lesson which Adam Smith's recent disciples failed to learn from him: finance needs to be held in check.

Right at the end, though, one unexampled benefit: the Treasury seems to have learned some humility.

Open economic analysis, sensible new rules about investment – whatever next? There might be exciting new possibilities here. But there might not: the chances are that history will go on with its cyclical variations; and if that happens, could this column avoid repeating itself too?

You may never find out, at least in this space. FT readers, I will miss you.

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | NETHERLANDS | NETHERLANDS (continued) | NORWAY | SPAIN | SWEDEN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE

Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) unavailable, (x) ex dividend, xr ex rights, xa ex all.

Price data supplied by Telekurs.

CANADA

TORONTO

4 pm close October 30

Quotations in cents unless marked $

MONTREAL

4 pm close October 30

Total Sales 16,525,400 shares

INDICES

NEW YORK DOW JONES	Oct 30	Oct 29	Oct 28	Oct 27	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3226.28	3246.27	3251.40	3235.73	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.41	102.27	102.30	102.18	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1352.31	1361.58	1356.14	1355.53	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.14	219.70	218.14	218.14	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3260.59 (3268.96) Low 3208.45 (3224.39) (Theoretical♦)
Day's High 3250.59 (3254.64) Low 3224.12 (3236.81) (Actual♦)

STANDARD AND POOR'S	Oct 30	Oct 29	Oct 28	Oct 27	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	418.68	420.86	420.13	418.49	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	490.76	493.35	492.66	490.76	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	36.84	37.09	37.06	36.95	37.09 (29/10)	32.40 (8/4)	37.09 (29/10/92)	8.64 (1/10/74)
NYSE Composite	230.57	231.42	230.91	230.01	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	381.72	381.29	379.00	376.65	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	605.17	605.82	601.39	596.95	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 23	Oct 16	Oct 9	year ago (approx.)
Dow Industrial Div. Yield	3.24	3.27	3.31	3.09

	Oct 28	Oct 21	Oct 14	year ago (approx.)
S & P Industrial div. yield	2.68	2.72	2.76	2.73
S & P Indl P/E ratio	27.52	27.22	26.77	21.17

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Cmac Inv	3,628,400	19	...
Glaxo	3,620,600	25⅛	-⅛
Telefonos	3,281,200	51	+⅝
Nat Semi	3,110,800	12⅞	-1⅝
Merck	2,623,800	43¾	+½
Adv Micro	2,523,500	16½	+⅝
IBM	2,294,100	66¼	+⅛
Triton	2,234,900	36⅞	-1⅞
Ph Morris	2,075,900	76⅛	-1⅛
Gen Motors	2,051,800	30¾	-⅝

TRADING ACTIVITY

† Volume Millions	Oct 30	Oct 29	Oct 28
New York SE	196.740	206.300	203.040
Amex	13.242	15.663	12.193
NASDAQ	(u)	214.474	208.599
NYSE			
Issues Traded	2,345	2,343	2,352
Rises	859	963	1,016
Falls	880	774	718
Unchanged	606	606	618
New Highs	61	74	66
New Lows	39	29	46

CANADA TORONTO	Oct 30	Oct 29	Oct 28	Oct 27	1992 HIGH	1992 LOW
Metals & Minerals	2772.11	2753.63	2745.96	2676.37	3238.87 (16/1)	2603.82 (15/10)
Composite	3336.10	3336.00	3334.71	3286.44	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1763.66	1764.61	1764.70	1733.03	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telerate) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Oct 30	Oct 29	Oct 28	Oct 27	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1425.8	1417.8	1418.2	1436.6	1684.50 (22/5)	1417.60 (19/10)
All Mining (1/1/80)	608.2	603.6	604.3	615.7	726.80 (3/7)	593.30 (19/10)
AUSTRIA						
Credit Aktien (30/12/84)	328.89	327.70	329.60	332.65	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	798.48	795.23	801.10	806.50	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1139.96	1137.35	1135.21	1129.96	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	252.21	251.09	250.42	250.93	365.29 (15/1)	250.42 (28/10)
FINLAND						
HEX General (28/12/90)	751.0	754.6	737.0	716.4	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	460.91	465.32	465.37	464.00	556.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1742.40	1730.87	1749.86	1774.48	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	591.40	592.30	603.98	603.39	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1670.2	1674.10	1707.00	1705.40	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1492.32	1493.64	1510.30	1533.77	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	6290.69	6117.50	6126.98	6218.01	6329.12 (22/10)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1144.86	1154.77	1150.68	1153.16	1469.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	439.03	428.51	427.05	418.89	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	871.0	848.0	844.0	827.0	1086.00 (5/2)	696.00 (26/9)
JAPAN						
Nikkei (16/5/49)	16767.40	16937.71	17068.41	17185.26	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1278.91	1287.13	1292.39	1297.53	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1667.94	1675.87	1682.13	1681.99	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	641.32	637.13	633.31	633.32	641.31 (30/10)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	284.5	286.1	287.9	288.2	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	191.8	192.8	194.1	194.3	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	618.92	618.13	617.53	621.71	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1361.40	1357.01	1331.35	1322.14	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	364.44	364.15	366.65	366.57	416.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	816.04	815.0	821.0	822.0	1327.00 (21/1)	782.00 (15/10)
JSE Industrial (28/9/78)	4013.04	4016.0	4000.0	3995.0	4689.00 (4/6)	3936.00 (19/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	610.09	605.78	585.34	584.10	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	198.47	196.62	197.53	198.74	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarldes Gen. (1/2/37)	706.9	714.00	726.10	724.80	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	843.6	838.2	839.3	845.9	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	641.5	639.6	641.3	645.2	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3631.73	3640.90	3670.98	3647.97	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangok SET (30/4/75)	940.35	931.36	917.89	908.46	940.35 (30/10)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	486.4*	487.5	489.7	489.6	542.10 (7/1)	467.50 (30/10)
Euro Top-100 (26/6/90)	822.71	828.06	826.33	831.90	976.55 (25/5)	[illegible]

**Saturday October 24: Taiwan Weighted Price: (c). Korea Comp Ex. 557.86
♦ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday, October 30, 1992

	Stocks Traded	Closing Prices	Change on day
Green Cross	4.7m	1,430	-60
Gajoen Kanko	4.7m	183	-2
Aishin Seiki	4.5m	1,140	-50
Nippon Mining	4.0m	496	+7
Denki Kogyo	3.0m	925	-25
Sumitomo Chem	2.7m	489	-11
Mitsubishi Heavy	2.0m	526	-10
Nikken Chems	1.7m	1,090	-30
Hitachi	1.6m	717	+5
Sumitomo Metal	1.6m	270	-2

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FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Grofund American	5	141.1	142.6	150.2	0.00	40591
AIB Grofund Equity	5	186.0	188.4	199.4	1.95	40590
AIB Grofund Euro	5	139.9	142.0	149.5	0.37	40594
AIB Grofund Eqt Balanced	3	97.02	97.62	100.0	0.00	–
AIB Grofund Gilt	3	74.98	75.00	77.32	5.52	40595
AIB Grofund Japan	5	119.9	121.2	127.6	0.00	40596

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
General Inc	5	371.2	373.4xd	397.5	3.29	40401
General Acc	5	404.3	406.9xd	432.9	3.29	40578
UK Growth Acc	6	272.5	277.1xd	294.8	3.69	40392
UK Growth Inc	6	195.5	198.8xd	211.5	3.69	40393
Higher Inc Acc	6	464.2	473.8xd	504.1	5.21	40394
Higher Inc Inc	6	286.8	292.0xd	310.7	5.21	40395
Gilts/Fxd Int Acc	5½	167.3	167.3xd	176.8	7.04	40396
Gilts/Fxd Int Inc	5½	90.12	90.12xd	95.29	7.04	40397
Nth America	6	221.8	226.7xd	241.2	0.00	40398
Far East	6	228.9	233.2xd	248.1	0.31	40399
Europe	6	196.2	199.7xd	212.5	0.84	40400
Brit Excell	6	55.63	56.58	60.20	3.78	40402
Brit Fndmtls Acc	6	71.68	72.53xd	77.16	5.94	40403

MGM Unit Managers Ltd (1008)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
High Income	5	220.6	224.0xd	238.2	5.88	40887
(Accum Units)	5	379.9	381.6	405.9	5.88	46918
UK Growth	5	288.3	290.7xd	309.2	3.42	40888
(Accum Units)	5	358.9	361.9	385.0	3.42	46919
Int Equity Gth ♦	5	52.65	52.76	56.12	1.12	40889
Intl Bond	5	64.31	64.31	67.54	6.29	40890
Special Sits Gwth	5	14.52	15.00xd	15.95	3.64	40891
North American Gwth	5	81.98	82.23xd	87.47	0.96	40892
European Growth ♦	6	54.15	54.46xd	57.93	1.15	40104

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Balanced Grth Mngd	607.1	645.9	-	43315
Adventurous Mngd	144.4	153.7	-	46402
Cautious Mngd	117.0	120.3	-	46403
Cash Fd	312.7	329.6	-	43316
Property Fund	216.8	230.7	-	43317
Equity Fund	689.5	733.6	-	43318
Fxd Int. Fund	384.4	405.1	-	43319
International	312.3	332.3	-	43320
High Income	521.6	554.9	-	43321
Far East	421.8	448.8	-	43322
North American	390.5	415.5	-	43323
Special Sits	482.3	513.1	-	43324
Technology	383.3	407.8	-	43325
Extra Inc Fd	284.6	302.8	-	43326
Convertible & Gilt Fd	137.1	145.9	-	43327
American Income	163.0	173.5	-	43328
Gilt Fund 20	436.9	464.8	-	43329
European Fund	111.8	119.0	-	43330
Pref & Fixed Int	104.1	110.8	-	46332
UK Blue Chip	108.5	114.4	-	47044
Recovery Fund	98.8	104.2	-	47056
Equity Income Dist	95.9	102.1	5.23	47816
Managed Dist	92.3	98.2	5.54	47817
High Yield Dist	99.2	104.6	7.96	44422
Pension Funds				
Balncd Grh Mngd Pens Acc	691.5	727.9	-	43331
Adventurous Mngd Pens Acc	150.1	158.1	-	46404
Cautious Mngd Pens Acc	133.5	140.6	-	46405
Building Soc Acc	359.3	378.3	-	43332
Property Pens Acc	294.3	309.8	-	43333
Fix Int Pens. Acc	606.3	638.3	-	43334
Equity Pens Acc	870.4	916.3	-	43335
International Pens Acc	286.4	301.5	-	43336
High Inc Pens Acc	577.6	608.0	-	43337
Tech Pens Acc	267.6	281.7	-	43338
N American Pens Acc	292.4	307.8	-	43339
Far Eastern Pens Acc	416.1	438.1	-	43340
Special Sits Pens Acc	393.5	414.3	-	43341
Extra Income Pens Fd	345.3	363.5	-	43342
Convertible & Gilt Pen	167.9	176.8	-	43343
American Inc Pens	184.5	194.3	-	43344
European Pens	124.2	130.8	-	43345
Managed Cash Pens	169.1	178.1	-	46753
Pref & Fixed Pens	121.9	128.4	-	46333
UK Blue Chip	113.8	119.8	-	47057
Recovery Fund	103.8	109.3	-	47058

Reliance Mutual
Reliance House, Tunbridge Wells, Kent. 0892 510033

	Bid Price	Offer Price	Yield Gross	City-line
Deposit Acc Fd	166.0	174.8	-	43575
Equity Acc Fd	371.8	391.3	-	43576
Managed Acc Fd	328.9	346.3	-	43577
Prop Fd (1st Issue)	-	594.5	-	43578
Prop Acc Fd (2nd Iss)	119.4	125.7	-	43579
Unit Trust Ma. Fd	146.5	154.2	-	43580
RL Pension Funds				
Deposit Acc	240.1	252.8	-	43581
Equity Acc	270.5	284.8	-	43582
Fixed Int Acc	243.8	256.6	-	43583
Gilt Indx Lnk Acc	185.3	195.1	-	43584
Managed Acc	360.1	379.0	-	43585

J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone: 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
JRA/M&G Managed	105.3	110.9	-	46639
JRA/Scottish Amicable Mngd	100.4	105.7	-	46996
JRA/St James's Place Mngd	108.4	114.2	-	47133
Deposit	98.90	104.2	-	46281
Far East	111.1	117.0	-	46304
Gilts	104.5	110.0	-	46397
Greater European	107.4	113.1	-	46488
North American	116.7	122.9	-	46859
UK Equity	103.4	108.9	-	47134
Pension Funds				
JRA/M&G Managed cap	102.6	108.1	-	46800
JRA/M&G Managed acc	105.5	111.1	-	46714
JRA/Scottish Amicable Mngd cap	96.80	101.9	-	47129
JRA/Scottish Amicable Mngd acc	99.40	104.7	-	47128
JRA/St James's Pl Mngd cap	110.6	116.5	-	47131
JRA/St James's Pl Mngd acc	113.7	119.7	-	47130
Deposit cap	99.10	104.4	-	46285
Deposit acc	101.8	107.2	-	46284
Far East cap	107.7	113.4	-	46395
Far East acc	110.6	116.5	-	46398
Gilts cap	102.7	108.2	-	46401
Gilts acc	105.6	111.2	-	46399
Greater European cap	107.0	112.7	-	46578
Greater European acc	109.9	115.7	-	46489
North American cap	119.3	125.6	-	46957

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED**)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED**)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	Yield Gross	City-line
IBI Global Funds Limited				
IMI Stlg Gwth	£20 00	21.06	-	45289
IMI $US Gwth	$17.62	18.55	-	45290
High Income Gilt	£25 87	26 81	-	45291
International Equity	£20.17	21.24	-	45292
International Bond	£22 40	23 22	-	45293
Managed Currency	£27 28	27.57	-	45294
Sterling Currency	£26 26	26 54	-	46030
US$ Currency	$37 67	38 06	-	46031
Irish £ Currency	I£14 98	15 14	-	46029
Target International (Isle of Man) Ltd				
IMC Offshore Fd	58 77	9 44	-	46450
B F Offshore Inc Fd Ltd	£11.30	11 82	-	46580
Nelson Noble W/W S/S	£8.85	9.23	-	46581
LFM Sterling Fd	£11 03	11.50	-	44455

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd
PO Box 468 St Helier Jersey 0534 36633

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Currency Funds Ltd						
Intl Managed Bond	5		£-20 8415	20.8479	-	47337
Managed Capital Bd	5		£-20.8924	28 9236	-	47754
AIB Grafton Currency Fund Limited						
Stlg Mngd Currency	5		£-	10 8771	-	44665
Sterling Currency Fd	5		£-	10 4608	-	44663
Ecu Currency	5		Ecu-	10 5944	-	44662
US Dollar Mngd Curr	5		$-	21 4611	-	47336

Lloyds Bank Trust Co (CI) Mngrs
Unquoted World Inv Port | £2.436 | 2.558 | 1.16 | -
Dealing weekly on Thursday

Management International (Jersey) Ltd
Anchor Gilt Edge (z) | £9 89 | 9.93 | 9.46 | 45050

Minerals, Oils Res. Shrs. Fd. Inc.
Mores Oct 22 | $13 71 | 14.00 | 2.86 | 45476

Nat. Westminster Jersey Fd. Mgrs. Ltd

	Bid	Offer	Yield	City-line
Sterling Income(z)	52.6	55 0	8.59	45546
UK Equity Fd (z)	206 8	220 0	2.91	45547
*Intl Bond Fd	98.9	102 0	7.19	45548
**Natural Resources Fd	110.2	117.0	0 43	45549
*Sterling Mngd Asset Fd	530 7	559.0	5.00	47700

*Sub. day every Thurs. **Sub. day monthly 5th and 20th

NatWest TrustCar Currency Fund (z)

	Price		City-line
Dollar Class	$38.0475	-	45550
Sterling Class	£76 7126	-	45551
D-Mark Class	DM82.7485	-	45552
Dutch Guilder Class	Dfl82 2962	-	45553
Japanese Yen Class	Y7834 4809	-	45554

Ashburton Replica Portfolio Ltd
Ashburton Replica Pfolio Ltd £ | 11.09 | 11 52 | - | 47755
Ashburton Replica Pfolio Ltd $ | $10.28 | 10 66 | - | 47756

Northgate Unit Tst. Mngr. (Jersey) Ltd
Pacific Fund Oct 29 | $34.27 | 36.47 | - | 45567

Perpetual UT Mngrs (Jersey) Ltd

	Bid	Offer	Yield	City-line
Offshore Intl Gwth Fd	$3.6075	3 8337	-	45591
Offshore Japanese Gwth Fd	$0.9025	0 9591	-	47690
Offshore Am Gwth Fd	$6.0569	6.4367	-	45592
Offshore Emerging Cos	$3 3930	3.6066	-	45593
Offshore European Fd	$1 4723	1 5647	-	45594
Offshore Far Eastn Fd	$2 1771	2.3137	-	45595
Offshore UK Growth Fd	$1 7644	1 8751	-	45596

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

هكذا اصل الأصل

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Bush and Clinton

The foreign exchange market's attention this week will be firmly focused on the results of tomorrow's US Presidential election, *writes James Blitz.*

UK clearing bank base lending rate
8 per cent
from October 16, 1992

The markets have already priced in a victory for Mr Bill Clinton and, unlike previous elections, the dollar has benefited from the prospect of a Democrat with an activist policy stance making it to the White House,

Dealers believe that Mr Clinton's commitment to a rise in infrastructure spending funded by tax increases and cuts in the defence budget will force the Federal Reserve to stop cutting interest rates. The Fed may have to tighten policy to counteract the effect of the boost in fiscal spending.

As a result there could be a short-term rise in the dollar this week, following through to next year. However, two factors may force the dollar's rise to be c hecked.

First, even if Mr Clinton is elected, interest rates may still fall. "Regardless of who wins," says Mr Gerard Lyons, chief economist at DKB International in London, "the Fed will be under pressure to cut rates again, and to keep them at low levels until the economy and the banking sector show stronger signs of recovery."

The second possibility, of course, is that Mr George Bush will win tomorrow. One opinion poll on Friday put them neck-and-neck.

Ironically, a republican victory could trigger a fall in the dollar/D-Mark rate. Dealers have become convinced of the merits of a Clinton victory to such an extent that, if he loses, some bullish positions will have to be unwound.

Moreover, a Bush victory would probably change little in US economic policy in the short-term. This would throw the market's focus firmly back on to the sluggish upturn in the US.

£ IN NEW YORK

Oct.30	Close	Previous Close
£ Spot	1.5557 - 1.5567	1.5725 1.5735
1 month	0.67-0.66pm	0.68 0.67pm
3 months	1.55-1.50pm	1.55 1.52pm
12 months	4.10-3.90pm	4.10 4.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Oct.30	Previous
8.30	am	78.2	79.1
9.00	am	78.2	79.0
10.00	am	78.4	78.9
11.00	am	78.4	78.9
Noon		78.4	78.8
1.00	pm	78.4	78.7
2.00	pm	78.3	78.7
3.00	pm	78.4	78.6
4.00	pm	78.4	78.6

CURRENCY MOVEMENTS

Oct. 30	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.4	-31.5
U.S Dollar	63.7	-14.3
Canadian Dollar	96.2	-5.6
Austrian Schilling	113.8	+15.1
Belgian Franc	115.9	+1.4
Danish Krone	115.1	+8.4
D-Mark	124.5	+30.4
Swiss Franc	113.3	+21.2
Dutch Guilder	119.2	+20.3
French Franc	109.0	-7.9
Lira	89.4	-27.7
Yen	148.7	+85.2
Peseta	99.4	-24.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.29

OTHER CURRENCIES

Oct 30	£	$
Argentina	1.5460 - 1.5485	0.9900 - 0.9910
Australia	2.2465 - 2.2485	1.4385 - 1.4395
Brazil	12404.1 - 12412.3	7943.70 - 7943.90
Finland	7.5745 - 7.6605	4.8600 - 4.8700
Greece	308.250 - 314.400	197.070 - 201.020
Hong Kong	12.1105 - 12.1310	7.7305 - 7.7315
Iran	2316.00*	1495.00*
Korea(Sth)	1217.15 - 1236.75	779.40 - 785.60
Kuwait	0.46600 - 0.46660	0.29660 - 0.29690
Luxembourg	49.50 - 49.60	31.65 - 31.75
Malaysia	3.9250 - 3.9535	2.5090 - 2.5110
Mexico	4900.00 - 4903.15	3133.00 - 3135.00
N.Zealand	2.9735 - 2.9795	1.9025 - 1.9050
Saudi Ar	5.8120 - 5.9075	3.7495 - 3.7505
Singapore	2.5320 - 2.5395	1.6210 - 1.6220
S.Af (Cm)	4.6215 - 4.6340	2.9510 - 2.9525
S.Af (Fn)	6.8300 - 4.8745	4.3670 - 4.3955
Taiwan	39.55 - 39.70	25.30 - 25.40
U.A.E.	5.6910 - 5.7860	3.6715 - 3.6735

*Floating rate. Iran Official rate £104.15 $64.60

CURRENCY RATES

Oct 30	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.893493	0.815887
U.S Dollar	3.00	1.40609	1.27874
Canadian $	6.30	1.74650	1.58905
Austrian Sch	8.25	15.1984	13.8309
Belgian Franc	7.75	44.5625	40.4497
Danish Krone	9.50	8.32335	7.55480
D-Mark	8.25	2.16566	1.96542
Dutch Guilder	7.75	2.44196	2.21196
French Franc	10¼	7.35737	6.66863
Italian Lira	14.00	1855.95	1680.25
Japanese Yen	3.25	173.019	157.451
Norway Krone	-	8.82321	8.01131
Spanish Peseta	-	153.942	139.683
Swedish Krona	50.0	8.15040	7.40390
Swiss Franc	6.00	1.92775	1.75671
Greek Drach	19	N/A	255.313
Irish Punt	-	N/A	0.746579

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Oct.29

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	102-24	103-15	103-08	103-04
Mar	101-17	102-08	102-00	101-29
Jun	100-09	100-30	100-28	100-22
Sep	99-04	99-14	98-31	99-17
Dec	98-00	98-21	97-28	98-14
Mar	96-30	97-00	96-27	97-13

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Dec	0.8100	0.8127	0.8077	0.8108
Mar	0.8102	0.8123	0.8096	0.8108
Jun	0.8109			0.8117

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK

4pm

LONDON MONEY RATES

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

TOKYO		
One month	3¾	-1/32
Three month	-	-
BRUSSELS		
One month	8 13/16	+1/16
Three month	8 11/16	+1/16
AMSTERDAM		
One month	8.70	+0.06
Three month	8.60	+0.05
PARIS		
Intervention Rate	9.60	Unch'd
One mth. Interbank	9 5/8	-1/16
Three month	9 13/16	-1/16
MILAN		
One month	14 3/8	-3/8
Three month	14 5/8	-1/8
DUBLIN		
One month	14¾	-½
Three month	14	-¾

BASE LENDING RATES

	%		%		%
Adam & Company	8	Credit Lyonnais	8	McDonnell Douglas Bnk.	8
Allied Trust Bank	8	Cyprus Popular Bk	8	Midland Bank	8
AIB Bank	8	Duncan Lawrie	8	Mount Banking	8
● Henry Ansbacher	8	Equatorial Bank plc	8	NatWestminster	8
B & C Merchant Bank	13	Exeter Bank Limited	8.5	Northern Bank Ltd	8
Bank of Baroda	8	Financial & Gen. Bank	8	Nykredit Mortgage Bank	8.5
Banco Bilbao Vizcaya	8	● Robert Fleming & Co.	8	● Rea Brothers	8
Bank of Cyprus	8	Girobank	8	Roxburghe Bank Ltd.	10
Bank of Ireland	8	● Guinness Mahon	8	Royal Bk of Scotland	8
Bank of India	8	Habib Bank AG Zurich	8	● Smith & Williamson Secs.	8
Bank of Scotland	8	● Hambros Bank	8	Standard Chartered	8
Banque Belge Ltd	9	Hampshire Trust Plc	13.5	TSB	8
Barclays Bank	8	Heritable & Gen Inv Bnk.	8	Unibank plc	8
Brit Bk of Mid East	8	● Hill Samuel	8	● United Bk of Kuwait	8
● Brown Shipley	8	C. Hoare & Co.	8	Unity Trust Bank Plc	8
CL Bank Nederland	8	Hongkong & Shanghai	8	Western Trust	8
Citibank NA	8	Julian Hodge Bank	8	Whiteaway Laidlaw	8
City Merchants Bank	8	● Leopold Joseph & Sons	8	Yorkshire Bank	8
Clydesdale Bank	8	Lloyds Bank	8		
Co-operative Bank	8	Meghraj Bank Ltd	8		
Coutts & Co	8				

● Members of British Merchant Banking & Securities Houses Association.

STOCK INDICES

	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 23	1992 High	1992 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2658.3	2642.3	2650.4	2669.8	2661.8	2669.7	2737.8	2281.0	2737.8	986.9
FT-SE Mid 250	2521.6	2513.8	2515.3	2516.6	2509.6	2505.9	2825.8	2157.8	2825.8	1379.4
FT-SE-A 350	1281.5	1274.5	1277.8	1285.3	1281.5	1284.3	1342.7	1103.1	1342.7	664.5
FT-A All-Share	1256.67	1250.28	1253.47	1260.61	1256.90	1259.33	1326.36	1086.13	1326.36	61.92
FT-SE Eurotrack 100	1028.47	1025.26	1028.09	1038.79	1038.16	1034.38	1200.27	937.42	1200.27	900.45
FT-SE Eurotrack 200	1090.07	1086.76	1091.64	1100.79	1104.46	1106.83	1248.79	1010.09	1248.79	938.62
FT Ordinary	1963.8	1948.7	1966.5	1978.5	1976.2	1981.7	2149.7	1670.0	2149.7	49.4
FT Government Secs.	94.44	94.36	94.18	93.53	93.28	93.41	94.44	85.11	127.40	49.18
FT Fixed Interest	108.59	108.33	107.71	106.95	106.62	106.46	108.59	97.15	108.59	50.53
FT Gold Mines	73.2	73.9	73.7	74.7	77.6	76.3	160.6	65.0	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

	Notes Price £	W'k % change	Amnt £m	Interest due		Last xd	City line
Treas 8¾pc 1993	100 1/8	—	800	Au18	Fe18	18.7	5047
10pc 1993‡‡	101	—	1,850	Oc15	Ap15	8.9	1279
12½pc 1993‡‡	104	0.1	1,100	Ja14	Jy14	8.8	1298
Funding 6pc 1993‡‡	99	0.3	800	Mr15	Se15	18.8	1276
Treas 13¾pc 1993‡‡	107 xd	0.1	1,865	My23	Nv23	19.10	1304
8½pc 1994	102	0.2	2,180	Au3	Fe3	28.6	4871
14½pc 1994‡‡	110	0.1	550	Se1	Mr1	27.7	1307
Exch 13½pc 1994	108	—	1,100	Oc27	Ap27	21.9	1267
Treas. 10pc Ln. 1994‡‡	105	—	1,000	De9	Je9	5.5	1284

BRITISH FUNDS - Cont.

BRITISH FUNDS - Cont.

Index - Linked

OTHER FIXED INTEREST

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate' Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	16⅞xd	3.5	68c	FeMyAuNv	9.10	1503
ΨAllegheny & W		447p	3.2	36c	–	–	–
Amdahl		693p	2.2	16c	NvMrJeAu	31.1	–
Amer Cyanamid		38¼	7.8	$1.65	MrJeSeDe	4.8	–
Amer Express		13⅛xd	6.5	$1.00	FeMyAuNv	28.9	1594
Amer T & T		28xd	9.8	$1.32	FeMyAuNv	25.9	1597
AmerTech		42⅞	5.2	$3.52	FeMyAuNv	28.3	–
BankAmerica		28⅞xd	5.8	$1.30	FeJeSeDe	19.8	1744
Bankers NY		40⅞xd	2.7	$2.80	ApJyOcJa	24.9	1745
Bell Atlantic		30¼	6.1	$2.60	FeMyAuNv	4.7	–
BellSouth		33⅛	4.3	$2.76	FeMyAuNv	6.4	–
ΨBethlehem Steel		8¼xd	11.9	–	MrJeSeDe	6.2	1621
Bowater		1341pxd	11.0	$1.20	OcJaApJy	9.3	1684
CPC	h	31⅞xd	7.6	$1.28	JaApJyOc	25.8	2283
ΨCadiz Land Inc		160p	—	–	–	–	–
California Engy		894p	1.8	–	–	–	–
Chase Manhattan		15⅞xd	7.3	$1.20	FeMyAuNv	28.10	2109
Chrysler		17⅜xd	6.1	60c	ApJyOcDe	9.9	2135
Citicorp		10¼xd	13.2	–	–	28.10	2141
Colgate-Palm		30¼xd	6.4	$1.24	FeMyAuNv	22.7	2164
Cont'l Bank		1109p	8.4	80c	DeMrJeSe	31.8	–
Dana		27¼xd	6.5	$1.60	MrJeSeDe	27.8	2306
Data General		894p	–6.0	–	–	–	–
ΨDecora Inds		182p	—	–	–	–	–
Dun & Brad		37	3.9	$2.28	MrJeSeDe	13.2	–
Eaton		46⅞	–3.6	$2.20	FeMyAuNv	2.2	2410
Echlin		12¼xd	6.5	78c	JaApJyOc	30.9	3046
FPL		23½xd	7.4	$2.44	MrJeSeDe	25.8	–
Fluor		28⅞xd	2.5	40c	JaApJyOc	24.9	2809
Ford Motor		23⅞xd	–3	$1.60	MrJeSeDe	27.10	2615
Gen Elect		49½xd	6.3	$2.36	JaApJyOc	22.9	2675
ΨGeneral Host		609p	4.5	34c	–	19.12	–
Gillette		36⅜xd	5.7	72c	MrJeSeDe	28.10	2695
Hasbro		21¼	3.6	28c	JaAnJyNv	1.8	–

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Dividends paid	Mid cap£m	Last xd	City line
Scottish Inv	$\dagger$	176	0.6	4.4	Feb Jul	447.3	1.6	3953
Warrants		29	-3.3	–	–	14.7	–	3903
Scot Mortgage	$\dagger$	169	1.8	3.9	Jul Dec	669.6	11.5	6004
Scot National Inc		66	8.2	0.25	ApJyOcJa	137.3	24.8	3961
Cap		19	-17.4	–	–	12.1	–	3980
Stepped Pf		154½	1.6	6.06	Sep Mar	49.3	7.9	3982
Zero Div Pf		166½	—	–	–	125.5	–	3984
Warrants		6½	10.0	–	–	6.70	–	3983
Scot Value		82	—	1.8	Jan Oct	44.9	7.9	2706
Sec Alliance		1285	1.7	36.5	Apr Oct	246.7	21.9	3974
Second Market		255	—	1.6	May	266.4	6.4	3976
Sec Tst Scot		89½	0.7	3.25	Jul Dec	222.6	11.5	3977
Select Assets		100	4.2	0.05	Apr	24.0	24.2	6665
Eq Ind SerI		118	—	4.25	JaApJaDc	20.4	5.10	4093
Eq Ind SerII		118	—	4.25	JaApJeDc	25.1	5.10	5086
SHIRESCOT		96	—	–	–	12.0	–	1305
Shires		284	2.0	18.4	ApJyOcJa	61.2	7.9	4014
11pc Cv Ln '03/04		£104½	—	Q11%	Sep Mar	23.9	24.8	4012
Siam Select		98	—	0.25	Sep	13.6	24.8	1367
Warrants		11	—	–	–	8.53	–	1370
Smaller Cos		66	—	2.5	Apr Oct	9.96	10.8	3698
Warrants		13	—	–	–	0.39	–	3699
Somerset Tst		114	—	–	–	1.14	–	2237
Sphere Inc	N	15½	—	3.1	MyAuNvFe	16.4	27.7	4278
Zero Div Pf		75¾	4.1	–	–	86.4	–	5227
Sumit		85	—	1.25	May	2.51	9.3	4132
TR City of Lon		[illegible]	0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

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PROPERTY

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

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PLANTATIONS

[illegible]

STORES

[illegible]

STORES - Cont.

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TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- Not officially UK listed, dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- Forecast dividend: cover based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Addition: Tesco Cap. 9pc Cv. Bds. 2005 (Food Retailing). Deletions: HK Telecom (Telephone Networks) and Hey & Croft (Contracting & Constrn.).

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4 pm close October 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

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- L -

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- P - Q -

- R -

- S -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close October 30

Price data supplied by Telekurs.

AMEX COMPOSITE PRICES

4 pm close October 30

MONDAY INTERVIEW

Russia's true power broker

Arkady Volsky, leader of Russia's industrialists, talks to **John Lloyd** and **Leyla Boulton**

He has the face and manners of a Renaissance courtier: strong, subtle, humorous, but with the foxy look of a man with a thousand projects and stratagems. His reputation is for intelligence and guile: even an enemy like Mr Mikhail Poltaranin, information minister and confidant of Russian President Boris Yeltsin, admitted recently: "Volsky is cunning: and he is now manoeuvring."

Arkady Ivanovich Volsky has ended up on the right side of power for a quarter of century, and may now, in his 61st year, be reaching the apogee of his influence. As president of the Union of Industrialists and Entrepreneurs, he is the disposer of favour, contracts and authority, whose ability to construct coalitions of apparent strength at a time of flux and crisis has given him the role of kingmaker in Russia.

Mr Volsky is tremendously well connected in a country where contacts are all: years in the industrial department of the Communist party's central committee give him a network of acquaintances in nearly every plant of any size in the land. His style is that of the jovial man of business with a grasp of the world – rare, still, in post-Soviet Russia.

Last week, to an audience largely of Italian business people, he was an expansive and funny, yet always pointed, lunchtime speaker, warning of the need for political change in Russia: "Do you know which country understands us best? Germany. And why? Because they have been given a present of East Germany. East Germany has had a mama [he makes the motion of lifting out a breast to give suck] who can feed it. But [his finger up, monitory] we have no mama. Yet Germany now has two fascist parties and 2m unemployed. We must think about this."

However, his commodity is power – and knowledge of where it can be applied. "Power belongs to those who have property and money," he told Reuter in July. "At present it is not the government but the industrial managers who have both."

He is constantly consulted by leading politicians. During our interview in his office last week, he took a call – long, confidential, alternately soothing, joking and commanding – from first deputy prime minister Vladimir Shumeiko, before being bustled out by his aides to meet Vice-President Alexander Rutskoi. His endorsement of a project is almost a guarantee of its success.

He moves easily among the business and political elites of the former Soviet states and of foreign countries: travelling and receiving delegations constantly. His friends are British financiers, German bankers, Japanese industrialists. He has the gift, shared with his former patron, Mr Mikhail Gorbachev, of conveying personal warmth to anyone he meets – but he has not, it seems, made Mr Gorbachev's mistake of believing personal charm is enough.

Mr Gorbachev inherited and lost the vast power of a Communist party general-secretary: Mr Volsky, even while he was in the final "Soviet" government between the August 1991 putsch and the resignation of Mr Gorbachev last Christmas, was building up his base from the disintegrating parts of the command system.

He brought together the great Soviet enterprises, which increasingly had been cast adrift from the "mama" state at the end of the 1980s, in what is now called the Russian Union of Industrialists and Entrepreneurs. Associations of joint ventures and co-operatives mingle with the big state companies on the union board, a blending of the public and the private sectors.

In the past year, he has added political clout: his union was the guiding spirit behind the combination of three parties – Mr Rutskoi's Free Russia, Mr Nikolai Travkin's Democratic party and his own creation, the Renewal party headed by his deputy, Mr Alexander Vladislyavyev – into the Civic Union. Since it was founded in August, it has attracted the support of parliamentary factions and individual deputies – and of the main trade union federation, the Federation of Indepedent Russian Trade Unions.

In Russia, an alliance between the unions and the main employers' organisation is no surprise: both have an interest in putting pressure on the state to continue subsidies to industry. More surprising, and even more of a testament to Mr Volsky's political skill, has been a pledge of support from Mr Konstantin Borovoi, a former commodity and stock market boss who created and leads the Economic Freedom party, a pro-business group.

Mr Borovoi initially set himself up as a liberal critic of Mr Volsky: now he has joined the fan club. By enlisting Mr Borovoi's support, Mr Volsky seems to cover almost the entire spectrum of "moderate" opinion.

Heidi Bradner

'East Germany had a mama. But we have none'

What will he do with all of this power? Why, to use Mr Poltaranin's word, is he now "manoeuvring"?

Using the practised phrases of a politician who must have employed them at a hundred meetings and briefings, he talks of wanting a "correction" in government policy; of wanting to rid the cabinet of "incompetent people and crooks"; of a round table, convened by the president, with the participation of all the political parties and blocs.

His union of industrialists has already completed a plan to "correct" the government's policies: this has gone to President Yeltsin, and will be presented to a conference of industrialists on November 14.

As for cabinet changes, Mr Gaidar, the acting prime minister, must stay in it, he says. But, asked if Mr Gaidar must stay as prime minister, Mr Volsky avoids a direct answer. Instead he says that he has told Mr Gaidar that anyone who cannot command authority in that post should go.

Will he get the changes in government and policy that he wants? It is evident things have been moving his way: "The government has listened to us and is listening to us," he says. He claims the meeting between senior ministers and industrialists in the car-manufacturing town of Togliatti, on the Volga, last weekend fulfilled his idea that ministers should get out of Moscow and meet real people. And he can point to passages in the speech the Russian president gave to parliament last month in which he specifically commended the Civic Union, told the government to listen to its ideas and pointed to it as the basis for "a modern, civilised two-party system".

In a significant phrase, Mr Yeltsin said: "A market economy is not an end in itself: it is a means by which we can and must raise Russia." Mr Volsky had said almost exactly that in an earlier speech.

Is he, then – as many in the present government charge – a disguised commisar: a man who wants to bring back at least elements of the old system? It is a charge which he passionately rejects, denouncing those (including the Financial Times) who, he says, had seen his espousal of the "Chinese option" as a plea for an authoritarian state. "We can use the experience of China; we can use the experience of Japan; we can use the experience of Mrs Thatcher," he says.

He wants privatisation – not through giving the population the right to own shares via vouchers, but through a system giving more direct control to industrial managers. He wants to see bankruptcies – not through the system favoured by the government, which gives state committees the power to close companies, but by giving the courts the right to declare a company bankrupt. He wants foreign investment: but he wants it more regulated by the state, with systems in place that foreign investors can understand.

He is equally passionate on his rejection of political ambition, saying he does not want to be prime minister. This is believable: he has amassed so much power in his present position that he would hardly gain more in that hot seat.

He wants to see the cabinet changes he has called for take place in the latter part of this month. If this is done, he believes, the scenario of a government destroyed and a president damaged by an angry Congress of Peoples Deputies, which opens on December 1, could be avoided.

If not? He will, he says, "go into opposition". This would mean his becoming leader of the disparate but large groups he represents, rejecting completely the government's policies and initiatives. Such a battle would be a testing one: some government radicals believe that his troops exist only on paper, and that there are pro-government constituencies which still have to be counted. But Mr Yeltsin is clearly leaning towards the Civic Union platform. The government is weak; Mr Volsky, for now, has most of the cards.

PERSONAL FILE

- **1932** Born Belarus.
- **1955** Graduated from Institute of Steel Processing, Moscow. Foreman, then shop superintendent, Likhachev (ZIL) plant, Moscow.
- **1969-88** Worked at central committee of the Communist Party of the Soviet Union.
- **1988-89** Head, special governing commission in Nagorno-Karabakh.
- **1990** Head, USSR Scientific and Industrial Assoc.
- **1991** Deputy chairman, USSR governing committee. President, Russian Union of Industrialists and Entrepreneurs.

The irresistible logic of change

MICHAEL PROWSE on America

The US seems to face a fateful choice. At 68, President George Bush looks too old to lead the nation in a radically new direction. His campaign pledges often sound like feeble echoes from the 1980s. Governor Bill Clinton, nearly a quarter of a century his junior, vibrates at a different frequency. As a baby-boomer, he speaks without embarrassment about Aids and homosexuality. He understands the changed social and economic role of women and minorities. He knows that the US economy must adapt if it is to prosper in a more competitive world. Like John F Kennedy in 1960, he seems to stand for the future rather than the past.

The contrast between the two men is stark, but it can also be overstated. A victorious Mr Clinton will face the same budgetary pressures as Mr Bush; he will have no magic wand with which to wave away social and economic problems. It will not be a sudden transition from darkness to light, night to day, as some Democrats fondly imagine. The president is commander in chief, but his ability to fight poverty, crime and other social evils is strictly limited, as Lyndon Johnson discovered in the 1960s.

If Mr Bush defies the pollsters, his second term need not be a disappointing rerun of his first. Circumstances have changed; the economy has been stagnant for three years; the cold war is over: attention will thus shift to domestic challenges whoever occupies the Oval Office. Contrary to expectations even 18 months ago, issues such as healthcare and education have counted in this campaign. And the Republicans, belatedly, have begun to assemble an agenda for domestic reform. After a narrow victory, even Mr Bush would surely realise a return to business as usual was not possible. He has seen the voters' anger.

Adversarial politics tend to exaggerate party divisions. But there are many similarities in the two candidates' plans because both are drawing on a body of progressive policy research, dating from the late 1980s, that bridges traditional liberal/conservative divisions. Mr Clinton is a past chairman of the Democratic Leadership Council, a body that has held a joint conference with the Heritage Foundation, a supposed bastion of conservatism. As governor of Arkansas Mr Clinton has helped formulate domestic policies subsequently endorsed by Republican administrations.

"Dear Bill . . . well done, oh so well done. You were a joy to work with on the summit and all our folks felt that way." This was Mr Bush, writing to Mr Clinton in 1989 to thank him for his help in developing the National Education Goals that subsequently formed the foundation of Mr Bush's America 2000 education initiative. Like the president, Mr Clinton favours moves towards a national curriculum and national testing, supports experimental schools and advocates greater choice and competition within the public sector. Privately Mr Clinton has even shown interest in conservative plans to extend choice to the private sector by allowing parents to use public funds to pay part of the costs of private education.

There are differences on healthcare. Mr Bush wants to expand access by offering poor families tax credits to help pay for insurance premiums, while Mr Clinton favours rules requiring employers to offer insurance or contribute to the cost of expanded public sector schemes. But both men urge reforms of the private health insurance industry and both advocate "managed competition" as a means of controlling costs and improving efficiency. In practice both will work to adapt the present system.

On welfare, Mr Clinton has spent nearly a decade experimenting with forms of "workfare" that make handouts conditional on claimants' willingness to accept jobs or training. He helped write the Family Support Act which enshrines similar principles and which President Reagan signed into law in 1988.

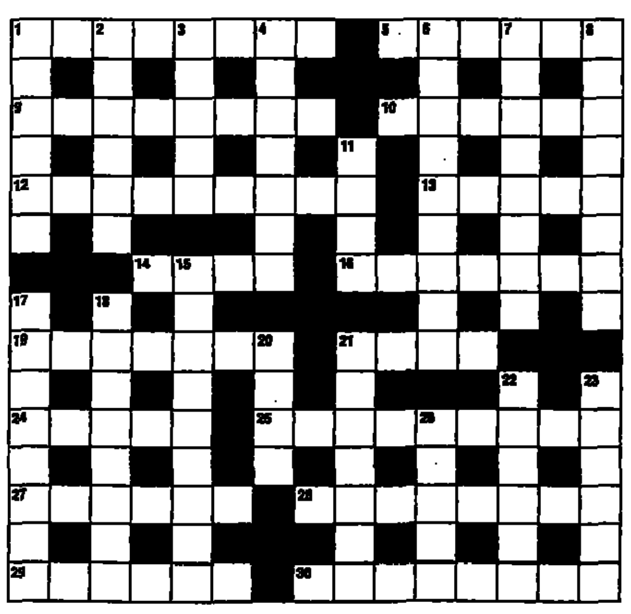
There are strong similarities even on economic policy. Neither candidate favours tough action on the deficit. Contrary to his rhetoric Mr Bush increased spending a lot and taxes a little – exactly the policy mix expected of Mr Clinton. Mr Bush is spending more on infrastructure and recently climbed on the training bandwagon, promising a \$10bn programme to hone workers' skills if re-elected. Republicans have even begun to edge towards an industrial policy, recognising the role government can play in promoting "critical technologies".

Contrary to appearances, the issue in this election is less the direction of change, than the speed of change and the skill with which it is managed. In these respects, Mr Clinton carries greater conviction.

The Democrat is both more able and more familiar with the issues. He believes passionately in government and is likely to assemble an administration of greater talent than any since the Kennedy era – many of America's brightest academics, for instance, are queueing up for jobs. As a long-serving governor, he understands state government from the inside, and it is the states that in practice will be responsible for many of the domestic reforms. Finally, he is more likely than Mr Bush to develop a constructive relationship with a Democratic Congress – making effective government more likely. If, as expected, Mr Clinton wins, it will be because he is perceived as the better manager of change.

CROSSWORD

No.7,992 Set by QUARK



ACROSS

1 A ford not in order? Ferry will go accordingly (2,3,3)
5 Arrange notice precisely (6)
9 A supporter unending after cricketer's thrash (8)
10 MG's due to dash. Look for the blur! (6)
12 He's not even here (3,3,3)
13 Part of stage garment (5)
14 Musical acts in variety (4)
16 Condition of visor cracked in the Post Office (7)
19 It could be seen round Panama (7)
21 Market vehicle on the way back? (4)
24 Double hoax takes in novice (5)
25 Where charges are made by the way (4,5)
27 Fabric on this in Easy Street? (6)
28 Walked around Lord's – let in for a change! (8)
29 Outbuilding that's listed, old (4,2)
30 Support power supply by the river (8)

DOWN

1 and 17 Wicked delivery? (4,2,3,5)
2 3 upset a number of vessels (6)
3 Doctor – a master in the theatre (5)
4 Limited intake? (7)
6 Conduct of moaner due to be reconsidered (9)
7 Support below flagpole (8)
8 and 23 It's referred to in the final analysis (3,3,2,3,3)
11 Stage bar (4)
15 The humiliation of a low-down place (9)
17 See 1 down
18 Plant to obtain information from priest in South Africa (8)
20 Tax business (4)
21 Force out of the general public (7)
22 Turn over book to lease vessel for drinking (6)
23 See 8 down
26 Name the British acknowledge (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday November 14.

British patience runs dry

IAN DAVIDSON on Europe

Mr Vaclav Havel, the soon-to-be ex-president of the soon-to-be ex-Czechoslovakia, last week was received as an honorary member of the French Académie des Sciences Morales et Politiques. In his acceptance speech, he meditated at length on the virtues of patience. There is no point waiting for Godot, in the sense of an external salvation, for Godot does not exist: there is no point indulging in the impatience of a rational activist, for that is a communist-type error; the only real merit lies in simply waiting.

It is an admirable, almost a saintly prescription for Job-like self-control. It will have been music to the ears of President François Mitterrand, whose most constant political maxim, exercised throughout his long political career, is: "*Il faut donner du temps au temps* (let time do its work)."

But it is not a prescription which seems to have a wide following in Britain today. Foreigners have long noticed the physical evidence of economic decline and decay; the whole world knows that Mr John Major's government has recently suffered – or has brought on itself – a set of policy failures on a truly heroic scale. But what really strikes the visitor from abroad as a new phenomenon is the violence with which the media denounce the government's failures.

Old-timers may protest that the situation, while obviously worrying for Mr Major, is not really all that frightful, nor indeed all that different from a longstanding British pattern. This is just another little economic crisis followed by another little economic policy U-turn, similar to so many we have known ever since the second world war. OK, so Mr Major's ERM strategy turned out to be unsustainable; but now we have another strategy (for growth, no less), and with any luck that will work better and please the people more.

There is a narrow sense in which weary familiarity is painfully close to the mark. The relative economic decline of Britain has been going on for a century or more, and shows no sign of ending; the British economy has been erratically mismanaged ever since the war, and the current fiasco is only the latest episode in a long-running farce.

Moreover, it is sometimes claimed that Mr Major is only in the same boat as many other political leaders in the industrialised world, ranging from President Mitterrand and Chancellor Helmut Kohl in Germany, to President George Bush in the US. They are all unpopular, and for broadly similar reasons; they have economic problems at home for which they have no solutions.

But there is another sense in which the new debacle seems to me qualitatively different from its predecessors. Where Mr Major seems to be in a class of his own is in the depth and intensity of the media criticism of his administration, in the broadest sense of the term. President Mitterrand is almost as unpopular as Mr Major, according to the public opinion polls; but his treatment in the press is restrained and comparatively respectful; he is not the target of such strident vituperation.

Returning to Britain after some years abroad, I find myself shocked by the volume and the violence of the current wave of criticism to which the government is subjected – not because it is undeserved, but because the pervasive tone of anger and contempt seems to me of an intensity without precedent in postwar British history. It is not clear that Mr Major's policy failures are fundamentally worse than those of Home, Eden, Wilson or many others; but they were not treated like this.

Moreover, the anger and contempt are directed not merely at the government but at the whole administrative machine. Once upon a time, economic mismanagement was blamed on the wilful stupidity of ministers, while the Treasury was generally exonerated, despite its arrogance; today even the Treasury has lost all credibility. This loss of reputation has spread like wild fire to many other institutions once respected, and we may be perilously close to a general failure of credibility by the apparatus of the state.

This seems to me a new phenomenon in Britain, and different from anything commonly observed in other European countries, except perhaps in Italy; and I suspect that the explanation has something to do with the second world war.

In the past the British people excused their leaders for policy failure, because they tacitly made allowance for the heavy economic legacy inherited from the war effort. The Germans became rich because they lost the war, the British became poor because they paid for it. The corollary of this excuse was that the British refused to take seriously their reduced position in the world, or do anything significant to improve their performance or modernise their institutions. But few now remember the war, and forgiveness for that failure has been exhausted.

The central element of this national self-indulgence has been refusal to come to terms with Europe. France and Germany were both traumatised by the disasters they suffered in the war, and were forced to frame their future in European terms. The British are still obsessed with war heroics, from Bomber Harris to El Alamein, and are still wrestling in anguish over their relationship with the Community.

There is a time for patience, and a time for anger. In Britain the time for anger appears to have arrived.